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OUR SYSTEM OF PUBLIC FINANCE
AND
THE SERVICES OF GOVERNMENT

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Business

Our System of Public Finance and the Services of Government

I

Why should students of rural problems be interested in taxation and public finance? A number of reasons could be given in answer to this question. One is that taxation has taken an increasing share of the farmer's income. The point was reached in the past decade where the high taxes became one of the big items of expense in the farm business. Taxes go to finance public services and it follows that some knowledge, not alone of taxation but also of the whole governmental structure, is desirable if we are interested in adjusting the burden of farm taxation and in keeping it adjusted as times change.

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Still another reason for the need of knowledge in the field of public finance is that the growing demands for service through the agency of government are throwing added responsibility on the electorate and particularly on those who should be in position through their training to direct intelligently the public thought. Rural leadership is particularly needed in the field of government for only through intelligent understanding can the numerous problems of public finance and governmental activity affecting the farmer be solved. These problems are constantly changing, for governmental activity is a dynamic thing. In the past the inability of rural people to recognize the need for change has retarded the necessary adjustments in our taxing system to give relief from farm taxation, and similar situations can arise in the future with a lack of foresight. An understanding of some of the fundamental principles underlying our system of public finance is necessary to a proper concept of the place that government takes in our economic life.

Some of the Principles Related to Taxation

Economics deals with forces which govern the activities of individuals in the expenditure of energy to supply their wants. Public Finance as a branch of economics deals with the efforts of individuals to supply wants through the activities of the State.

In the broad sense the State is the community at large including the elements of territory, population, sovereignty, and political organization. Government is a single word meaning the political organization of the State. In a narrower sense we speak of the State government as distinguished from the federal government and local governments. This gives a quite different meaning to the word State and it is always desirable to consider whether the word State is being used in reference to all society including all governmental organization, federal, state and local, or whether reference is made only to that political organization termed the State government.

The purposes of government as expressed in the preamble of the constitution of the United States are to "form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity." All the activities of the federal government, the 48 commonwealths and their local subdivisions find justification in the preamble of the constitution.

We all have certain fundamental wants which can be supplied by collective action better than by individual action. The State is the only organization that includes all individuals and therefore it is the function of the State to supply certain services. A characteristic of the basic services

of the State is that they are not sold at a price per unit to individuals nor is it desirable or possible to distribute all public services by the price system. The general welfare of society is so important that it is in the public interest to see that all individuals receive certain services without regard to the ability of the individual to pay. Only the ability of society as a whole to pay can be considered as a limiting factor of basic services. Nevertheless service costs money and it is necessary that the State have the power to obtain revenue. This explains why the State alone has the power to tax.

The Power to Tax

In the creation of three distinct departments of government and the apportionment of power between them, the power to tax falls to the legislative department. Taxes are a grant of the people who are taxed, and the grant must be authorized by the immediate representatives of the people. It is a maxim of our form of government that taxation and representation must go together.

The first paragraph of Article I, Section VIII of the federal constitution specifies: "The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States." This lays down three fundamental facts relating to taxation. First, congress has the power to tax. Second, the purpose of such taxation is limited to the common defense and general welfare. Under this general welfare provision the federal government performs the manifold activities it now pursues. Third, taxes as enumerated above shall be uniform throughout the United States.

In Article I, Section IX it is specified that "no capitation or other direct tax shall be laid unless in proportion to the census or enumeration....." When the constitution was adopted it was believed that the burden of direct taxation should be distributed according to population; but our subsequent economic development creating a concentration of wealth in limited areas, caused a contrary opinion to become current particularly in respect to an income tax.

The interpretation placed on the preceding sections by the supreme court made it necessary to pass the sixteenth amendment . . . adopted in 1913 and reading as follows: "The Congress shall have power to lay and collect taxes on incomes from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration."

State and Local Taxation

Our State constitution specifies "that the General Assembly shall provide for raising revenue sufficient to defray the expenses of the State for each year, and also a sufficient sum to pay the interest on the State debt." Local governments are also empowered to raise revenue. However, counties, townships, and school districts are agencies of the State and have no unqualified power to tax beyond the laws specifically enacted by the legislature in accord with the State constitution.

Municipal charters granted by the legislature may delegate to incorporated places some of the taxing power. The council of a municipality, therefore,

may have the power to legislate new taxes whereas township and county boards can only administer the taxing laws created by the legislature.

It is a principle of democracy that taxes must be for a public purpose and when the legislative body exceeds its authority in this regard the injured tax payer can appeal to the courts for protection.

Another principle is that persons and property not within the territorial limits of a state cannot be taxed by it.

The Police Power

Closely associated with the taxing power is the police power, so called, which is a broad general power of the State not to be confused with the activities of actual peace officers. The State uses the police power to conserve the general welfare by subjecting individuals and their property rights to various regulations. For instance a great many licenses and permits are imposed to regulate business or to control activities affecting the general public. As a practical matter it is often difficult to say how much of a particular license or fee has been levied under the police power and how much under the taxing power. These two powers it is obvious are closely associated in the development of the revenue system.

A Classification of Public Revenues

Governments are supported by revenues and over short periods by resort to borrowing; but it is obviously impossible to consider borrowed funds as a regular or permanent source of income. Sooner or later borrowed funds must be repaid out of revenue income if a government's finances are to be maintained in orderly fashion.

Classification of revenues.- Three distinct classes of revenues are ordinarily recognized in public finance. Taxes are the most important. Taxes may be defined as "general compulsory contributions of wealth levied upon persons natural or corporate, to defray the expenses incurred in conferring a common benefit upon the residents of the State. A tax is justified, but not necessarily measured, by the common benefit conferred."⁽¹⁾ Taxes are paid by persons although the tax base may be property, income, occupation or some attribute of the person or of things owned by the person.

A second class of revenues is the fee which can be defined as a semi-compulsory levy for some benefit, undertaken primarily for the public good, which also confers some special benefit on the individual who makes the payment. A fee never exceeds the cost of the special service rendered. If the charge does exceed this cost it becomes, to that extent, a tax. Special assessments on real estate for road improvements, etc. are a type of fee, but on occasion these become a special tax.

A third type of revenues arises when the government sells something to individuals at a price. This type of revenue is variously termed contractual, commercial, prices or rates. The latter term has the advantage of rather common usage. We speak of water rates, postal rates, telephone rates. This type of

(1) Carl C. Plehin, Introduction to Public Finance, P. 59. (4th Ed., 1920)

revenue is a fairly important source of income of some governmental units. It is necessary for good analysis to distinguish at times between these contractual or commercial earnings of the government, the semi-contractual fees and the purely compulsory taxes.

Governments are recipients of other types of revenues which ordinarily are of limited importance but which need to be enumerated to make our classification complete. Gifts of property are sometimes made for some public purpose. The state receives some property by reversion or escheat. Fines like taxes are compulsory payments; but fines are imposed under the penal power and unlike taxes are not to be relied upon to yield a steady flow of revenue. Particular units of government receive substantial grants in aid from other units of government, usually for specified purposes.

Recourse to borrowing is often resorted to when revenue receipts are inadequate for the financing of public activities. Borrowed funds are not, strictly speaking, revenue, for a dollar borrowed increases the liabilities as well as the assets whereas revenue receipts increase the assets without increasing the liabilities or decrease the liabilities without decreasing the assets.

Direct and Indirect Taxes

A distinction not always clear-cut in usage or in law is the difference between a direct and an indirect tax. For instance, at one time an income tax was declared an indirect tax by the supreme court of the United States. Later the same authority declared a similar income tax a direct tax. A common distinction, and probably the most useful, is that where the burden of a tax is intended to remain on the tax payer it is called a direct tax. That is, the tax payer is intended to be the tax bearer. On the other hand, where the burden is intended to be shifted the tax is termed "indirect." The working of economic forces are such that the intention of legislators may be annulled. That is, a direct tax may be shifted on occasion as a whole or in part and an indirect tax may not be shifted. Shifting of taxes occurs if at all through an adjustment of prices. Whether the price of a commodity can be raised when a tax is imposed is a complicated question which cannot be always predicted.

The taxes usually called direct are poll, land, building, income, property, and inheritance taxes. Examples of indirect taxes are import duties and excise taxes. Import duties refer to taxes placed on goods entering a country while excise taxes refer to taxes placed upon goods produced within a country.

Shifting of a tax signifies the removal of the burden from where it was first placed. Incidence refers to the place where the burden finally rests. Shifting and Incidence are of paramount importance in the economics of agriculture for due to the nature of his business the farmer is unable to shift much of his tax burden to others and at the same time tariff duties and excises have incidence on the shoulders of the farmer as a consumer of non-agricultural products.

Four Principles of Taxation

In 1776 Adam Smith set forth four maxims which remain standards whereby a system of taxation should be organized. The substance of these is as follows:

- (1) Equality.- "The subjects of every state ought to contribute towards the support of government, as nearly as possible, in proportion to their respective abilities; xxxxxxxxxx"
- (2) Certainty.- "The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person."
- (3) Convenience.- "Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it."
- (4) Economy.- "Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the treasury of the state."

Present day social philosophy may not be the same as Adam Smith's in other important respects; but these maxims are couched in common sense terms which have had a decided influence in the field of public finance from 1776 to date.

Theories of Justice in Taxation

Ideals of justice in taxation have developed simultaneously with the formulation of certain theories of how our whole economic system is organized. As modern economic theories came into being in the nineteenth and twentieth centuries two theories of taxation - (1) the theory of benefit, and (2) the theory of ability to pay - have been evolved. These theories have been the guiding principles in organizing the taxing systems, National, State and Local but too often practical expediency has been a more active force than abstract theory when tax legislation is concerned and the taxes imposed have not conformed to any theory of justice. However, popular concepts of justice have roughly followed the trail blazed by those who draw finer distinctions.

The theory of benefit.- American courts have given an important place to benefit in their decisions as to what is justice. The line of reasoning followed is that there is a relation between the amount of property held, or the amount of income received, and the benefit received from the State through the protection of property or income. The courts recognize, however, that there are other benefits which cannot be measured. Obviously, it is impossible to tax paupers the price of the charity distributed to them or to tax each family the price of a public school education for each child in our system of universal education. Granting these limitations there is a place for the benefit theory in our system of taxation. Benefits are of two kinds, general and special. Further, some special benefits are of a definite economic nature with a measurable price. The gasoline tax used to supply a road for motor transportation contains this element of special benefit as also does the judicious use of special assessments on real estate particularly benefitted by a public improvement. But the benefit theory is not so applicable to the entire revenue system as in former times when wealth was more evenly distributed over the entire population and when also the services of government were more nearly limited to a few basic functions. The benefit theory, from the economic viewpoint does not necessarily conflict with the ability to pay theory but rather can be used in conjunction. That is, through the benefit of a special service there are times when the tax payer is given a special ability to pay.

The ability theory of taxation.- Faculty or ability to pay taxes has been widely accepted as a just measure of how the burden of taxation should be distributed. Fundamentally, contribution according to ability is believed to give equality of sacrifice. Various tax economists have added some refinements to the idea of how the sacrifice should be distributed. For instance, Mill and later Seligman held to the idea of equal sacrifice to all; Carver developed the idea of minimum sacrifice to all society as being best and finally Pigou developed the idea of least aggregate sacrifice.

All three of these sacrifice theories justify a system of progressive taxation. In brief, the acceptance of a system of progressive taxation means that a systematized tax program will tax the rich at heavier rates than the poor. This does not mean by income taxation alone; rather it means that the entire tax system will give emphasis to those taxes falling more often on the rich than on the poor or moderately well-to-do. Such a system could rely on an income tax, an inheritance tax, and excise taxes on luxuries, to give progressiveness to the entire system which would also include property taxes and taxes on consumption which taken alone tend to fall heavier on the low-income group in the population.

Financing the Various Units of Government

Our governmental structure can be separated into five or more divisions for the purpose of studying the entire fiscal system. The main divisions so far as rural affairs are concerned are Federal, State, County, Township and School District. Municipalities are nearly always urban although a few states particularly North Carolina and New Jersey have pioneered in establishing some rural municipalities. Also, we may have local taxing districts occasionally set up for some special purpose with a separate administrative board. Examples in Ohio are the Miami Conservancy District established for flood control and the sanitary districts and park districts often established by cities in connection with some plan of regional development.

So far as rural affairs in Ohio are ordinarily concerned a complete picture of the fiscal side of government is obtained by a study of the federal, state, county, township and school district units of government.

II

National Finances

Our Federal Government from its creation to the Civil War was almost entirely financed by import duties with a small amount of revenue obtained from the sale of public lands and from some miscellaneous internal revenue taxes. All through our early national history the American people objected to internal taxation, therefore, import duties for revenue purposes which received less criticism were used. Borrowing was resorted to instead of heavier taxes, in case of revenue shortages. In that period revenue requirements were relatively small so customs duties were normally ample or even in excess of actual peace-time needs.

During the Civil War import duties were raised, a system of excise taxes adopted, and an income tax imposed. The latter was discontinued in 1872; the excises were retained in part, particularly those on tobacco and distilled liquors. In 1894 an income tax was again put into operation only to be declared unconstitutional by the supreme court in 1895. This led to the sixteenth amendment to the federal constitution in 1913 and the immediate adoption of a federal income tax still in operation.

The unusual demands on the federal treasury from 1916 to 1920 led to the imposition of heavier rates of taxation than had ever before been used in America. However, not all increase in federal taxation can be attributed to the war. Activities intended to add to the general welfare of the nation have become an increasing part of the scheme of government; these must be financed.

In the past few years the total public revenue income within the United States has been roughly one-third national and two-thirds state and local, when calculated on the basis of the unit of government making the collection. During and immediately following the World War, federal finances were so greatly expanded as to represent an even larger share of the total public revenue income and expenditures of the American people. From 1921 to 1930 the American people contributed approximately 12 per cent of the National income to the support of government.

In 1919 the ordinary receipts of the federal government were approximately five billion dollars as compared with expenditures of eighteen billion dollars chargeable against these ordinary receipts. The resulting deficit of thirteen billion dollars was met by borrowing. From 1920 to 1930 the federal budget was satisfactorily balanced showing a surplus each year. In 1931 the falling of revenue receipts as well as the expanded expenditures of that year of depression resulted in a deficit of 902 million dollars. However, approximately 400 million dollars of the ordinary receipts were used for debt reduction. Therefore, approximately 500 million dollars was the net deficit incurred. A question worthy of our consideration is why the federal deficit of less than a billion in 1931 had such decided importance when a deficit of 13 billions in 1919 created no adverse influence in the minds of the American people?

During the past decade the federal government has received approximately 60 per cent of its ordinary receipts from income taxes on corporations and individuals and the remaining forty per cent has been about evenly divided between customs receipts, internal revenue excise taxes, and miscellaneous revenue receipts usually commercial in nature. Certain recent tendencies are noteworthy: The reduced volume of imports in 1931 as compared with 1930 yielded 35.6 per cent less revenue and only 12 per cent of the revenue from all sources; corporation income taxes shrank 20 per cent in 1931, individual income taxes 31 per cent, and all income taxes yielded only 56 per cent of the total ordinary receipts; the tax on cigarettes held up particularly well showing but slight change in the past year of depression.

Other internal revenue measures such as the stamp taxes on capital stock transfers and on bond and stock issues yielded between a third and a half less revenue in 1931 than in 1930, due to the slowing up of these corporate transactions; and the estate tax, yielding 25 per cent less, reflected a shrinkage in capital values. Efforts of Congress to balance the budget in 1932 led to increasing income and inheritance tax rates, to the imposition of various stamp taxes, to a federal gasoline tax, and to other sales and transfer taxes.

Total receipts from taxation represented 84.65 per cent of the total ordinary receipts in 1931. The other 15.35 per cent were represented by proceeds from government owned securities, trust funds, fines, penalties, permits, licenses, sales of products and services, and revenues from the public domain.

Revenue and Non-Revenue Income

Some funds enter the public treasury which are not, strictly speaking, revenue. This is true of all units of government. As previously stated money or other wealth in order to be revenue must increase the assets without increasing the liabilities, or must decrease the liabilities without decreasing the assets. For instance, when some of the public domain is sold the proceeds are considered non-revenue income, for the assets of the government were decreased in an amount equal to the value of the land sold.

Non-revenue income of the federal government (including trust funds) was only \$215,000,000 in 1931 as compared with a revenue income of \$3,102,000,000.

National Debt

Debt obligations place enormous responsibility on the national government and on a great many local governments. Fortunately the constitution of Ohio places such rigid restrictions on borrowing by the State government that little debt can be incurred. This is not true of our local governments or of our national government.

Our national debt can be almost entirely attributed to one cause - war. On the other hand, most local public debts are for capital outlays that usually add to the standard of living of the people in that they supply a flow of goods or services to the inhabitants of the state over an extended period of time. This is not true of war debt which usually represents an equivalent value of capital goods or men's labor entirely destroyed.

On June 30, 1919, our total interest bearing national debt was \$25,235,000,000. At the average interest rate of 4.18 per cent the annual interest charge was \$1,054,000,000. On June 30, 1930, the total interest-bearing debt was \$15,522,000,000 a reduction in eleven years of \$9,313,000,000. Due to the treasury deficit of the next year the outstanding interest-bearing debt June 30, 1931, was \$16,520,000,000 or \$135.41 per capita.

Three sources of national debt reduction are the sinking fund created out of ordinary receipts, foreign debt payments, and any surplus in the general fund of the treasury. The first and third sources of debt reduction are almost entirely dependent on tax revenues.

The above public debt is partly offset by the indebtedness of foreign countries to the United States. Questions of debt cancellation are being discussed - in fact are an important issue in the current international economic and political situation. Nevertheless foreign governments have continued to pay. Total payments since the War aggregate \$2,628,000,000 including interest and principal. On November 15, 1931, the outstanding debt of foreign governments to the United States was \$11,598,501,461. Deducting these obligations of foreign governments from the national debt leaves only \$4,921,500,000 which must be paid by taxation, provided foreign governments meet their obligations in full.

Table 1. Ordinary Receipts of the Federal Government*

(In thousands of dollars)							
Yearly average or year ended June 30	Total ordinary receipts	Custons	Internal revenue Income and profits taxes	Miscel- laneous	Sales of public lands	Surplus postal receipts	Miscel- laneous receipts
1791-1800	6,765	5,940		444	10	36	334
1821-1830	21,923	19,852		31	1,388		649
1841-1850	27,117	24,366		1	1,980		768
1861-1865	160,907	68,988	28,006	27,283	555		19,994
1866-1870	447,300	178,903	50,603	171,315	2,109		44,368
1876-1880	288,124	146,594		116,697	1,025		23,808
1890	403,081	229,669		142,607	6,358		24,447
1900	567,241	233,165		295,328	2,837		35,911
1910	675,512	333,683	20,952	268,982	6,356		45,539
1920	6,704,414	323,537	3,956,936	1,442,213	1,910	5,213	974,605
1925	3,607,644	548,522	1,761,659	827,787	624		469,053
1929	4,036,219	602,820	2,331,274	608,770	315		493,040

*Derived from the Statistical Abstract of the United States, 1930, P. 173.

Table 2. Federal Taxes Paid by Residents of Ohio and Other States

(In thousands of dollars)						
States	Population 1930	Per cent of total U. S. popula- tion	Internal revenue receipts, year ended June 30, 1931			
			Income tax	Miscellan- eous taxes	Total Amount	Per cent
Ohio	6,646,697	5.39	96,003	16,929	112,931	4.65
Alabama	2,646,248	2.15	4,308	306	4,614	0.19
Illinois	7,630,654	6.19	173,676	17,112	190,787	7.86
New York	12,588,066	10.22	614,961	57,211	672,171	27.68
Pennsylvania	9,631,350	7.82	174,243	16,019	190,262	7.84
Wyoming	225,565	.18	570	26	596	.02
United States	123,202,660	100.00	1,860,040	568,188	2,428,229	100.00

New York City is the chief financial and industrial center of the United States, and therefore, the State of New York with 10.22 per cent of the population, paid 27.68 per cent of the internal revenue in 1931. This does not signify that a disproportionate part of the tax burden rested on New York for perhaps a business with its head-quarters in New York City had its capital equipment or other economic base in Alabama, Wyoming or some other distant state.

Table 3. Ordinary Receipts of the Federal Government Classified According to Major Sources, Fiscal Year, 1931

Source	Millions of dollars (i.e. 000,000 omitted)	Percentage in- crease (+) or de- crease (-) from 1930	Per cent from each source
Receipts from taxation:			
Customs	378.3	-35.6	11.4
Internal revenue -			
Income taxes -			
Corporation	891.5	-20.2	26.9
Individual	730.4	-31.2	22.0
Back taxes	238.5	+ 2.7	7.2
Total income taxes	1,860.4	-22.8	56.1
Miscellaneous internal revenue -			
Cigarettes	358.9	- 0.3	10.8
Other tobacco taxes	85.4	- 5.6	2.6
Stamp tax on capital stock transfers	25.5	-45.4	0.8
Stamp tax on bond and stock issues	14.8	-34.5	0.4
Estate tax	48.1	-25.8	1.4
All other internal revenue	36.7	-16.4	1.1
Total miscellaneous internal revenue	569.4	- 9.4	17.1
Total receipts from taxation	2,808.1	-22.6	84.6
Miscellaneous receipts:			
Proceeds from Government-owned securities -			
Foreign obligations	236.1	- 1.4	7.1
All other	28.3	+39.4	0.9
All other receipts including trust funds	244.7	-16.1	7.4
Total miscellaneous receipts	509.1	- 7.7	15.4
Total ordinary receipts	3,317.2	-20.6	100.0

Derived from the Annual Report of the Secretary of the Treasury 1931, p. 2.

As indicated in the above table, customs receipts produce a relatively small proportion of the Federal income. Existing duties are highly protective - even prohibitive and therefore there is an insufficient flow of commodities to produce much revenue.

Congress in 1932 revised the income tax, applying the following rates to the taxable year 1932 and succeeding years. - Normal rates are: 4% on the first \$4000 of taxable income; 8% on all over \$4000 of taxable income. Surtax rates are: 1% on the excess over \$6000 up to \$10,000 of taxable income; then rates are progressed up to 55% of the taxable income over \$1,000,000. The corporation income tax of 1932 is 13 $\frac{3}{4}$ per cent of the net corporate income. Personal exemptions are \$1000 for a single and \$2500 for a married person, with \$400 additional exemption for each dependent. No corporate exemption is now allowed; the 1928 law exempted the first \$3000 of corporate income.

Miscellaneous internal revenue taxes were placed on many new articles in 1932. The principal taxes are the following: (1) excise taxes on sales by the manufacturer of tires and inner tubes, toilet preparations, furs, jewelry, automobiles and motorcycles, radios and phonographs, mechanical refrigerators, sporting goods, firearms, shells and cartridges, cameras, candy and chewing gum.

(2) Stamp taxes on issues and transfers of stocks and bonds, sales of produce for future delivery, passage tickets, foreign insurance policies, and deeds of conveyance. (3) A sales tax on lubricating oil, brewers wort and malt products, grape products, matches, soft drinks and gasoline. (4) Taxes on telegraph, telephone, radio and cable facilities, transportation of oil by pipe line, safe deposit boxes, checks, and electrical energy. (5) Taxes on admissions, dues, and initiation fees.

Ordinary Expenditures of the Federal Government

These ordinary expenditures are the items chargeable against the ordinary receipts and if the budget were exactly balanced one would equal the other. A classification is given below grouping expenditures in selected years or periods of our national history. These data are in brief a condensed financial report of National activity. Perhaps the principal fact to be gained from these data is that war finance has represented the largest obligation in all periods of our history - particularly so when we include as military the resulting costs of debt obligations and pensions to veterans.

Table 4. Ordinary Expenditures of the Federal Government by Major Classes, Selected Years (1)

(In thousands of dollars)					
Yearly average or year ended June 30	Total ordinary expenditures	Civil and miscellaneous	War Depart- ment	Navy Depart- ment	Indians
1791-1800	6,835	980	1,732	882	31
1876-1880	255,598	56,819	37,170	15,990	5,405
1910	693,617	171,581	189,823	123,174	18,504
1919	18,952,141	6,701,180	9,265,325	2,009,272	34,593
1920	6,141,745	2,989,703	1,100,866	629,893	40,517
1925	2,930,707	134,276	348,606	324,130	46,754
1929	3,872,223	992,341	427,230	364,807	34,087
1931	4,294,275	1,193,188	491,941	353,023	37,489

Yearly average or year ended June 30	Pensions	U. S. Veterans Bureau	Postal defic- iencies	Interest on the public debt	Public debt retirements chargeable against or- dinary receipts
1791-1800	97	--	--	3,111	
1876-1880	35,051		4,972	100,191	
1910	160,696		8,996	21,343	
1919	221,615	130,945	344	615,867	
1920	213,344	107,585	35,813	1,024,024	
1925	228,262	396,934	12,639	938,741	466,538
1929	229,781	500,694	94,700	978,981	549,604
1931	233,324	788,826	145,644	610,758	440,082

(1) Derived from the Statistical Abstract of the United States, 1930, P. 174, and from the Report of the Secretary of the Treasury, 1931. These data are calculated on the basis of warrants issued, therefore do not conform exactly with the data calculated on the basis of cash withdrawals from the Treasury.

Table 5. Expenditures Chargeable Against Ordinary Receipts of the Federal Government, by Major Groups, for the Fiscal Years 1930 and 1931

(In Millions of dollars, i.e. 000,000 omitted)				
Class of expenditure	1930	1931	Increase or Decrease (-)	Percentage distribution 1931
General expenditures:				
Legislative establishment	20.0	24.0	4.0	0.57
Executive Office	.7	.5	-0.2	0.01
State Department	14.2	15.7	1.5	0.37
Treasury Department	193.1	204.6	11.5	4.85
War Department	453.5	478.4	24.9	11.34
Department of Justice	32.5	44.3	11.8	1.05
Post Office Department (administration)	.1	.1		-.01
Navy Department	374.2	354.1	-20.1	8.39
Interior Department	290.0	71.5	-218.5	1.69
Department of Agriculture	177.6	296.9	119.3	7.03
Department of Commerce	54.3	61.5	7.2	1.46
Department of Labor	10.7	12.2	1.5	0.29
Veterans Bureau	447.0	729.2	282.2	17.28
Other independent offices & divisions	49.7	49.7		1.18
District of Columbia	45.1	47.8	2.7	1.13
Total general expenditure	2,162.7	2,390.5	227.8	56.65
Refunds of receipts	158.0	91.3	-66.7	2.16
Postal deficiency	91.7	145.6	53.9	3.45
Agr. Marketing fund, net	150.0	190.5	40.5	4.52
Adjusted service certificate fund	112.3	224.2	111.9	5.31
All other including trust funds	106.3	126.2	19.9	2.99
Total expenditures excluding public debt	2,781.0	3,168.3	387.3	75.08
Public debt chargeable against ordinary receipts:				
Interest	659.3	611.6	-47.7	14.49
Retirements	553.9	440.1	-113.8	10.43
Total	1,213.2	1,051.7	-161.5	24.92
Total expenditures chargeable against ordinary receipts	3,994.2	4,220.0	225.8	100.00

Derived from the Annual Report of The Secretary of the Treasury, 1931, P. 11.

The increase in expenditures in 1931 over 1930 are mainly attributable to causes created by the economic depression. Construction activity, extension of agricultural credits, and loans to veterans represent the main portion of the increase. The following may be considered emergency items: \$85,000,000 for highways; \$25,000,000 for the public building program; \$25,000,000 emergency construction other than highways; \$44,000,000 for loans to farmers in flood and drought areas; \$41,000,000 for loans under the agricultural marketing act; \$112,000,000 for loans to veterans.

When surmed up in approximate terms one-third of the national expenditures in 1931 was for civil services, one-fifth was for the war and navy departments, one-fourth was for debt service including payment of interest and principal, and one-fourth was for pensions and other services to veterans.

The one-third of our national expenditures, termed for civil purposes, includes the financing of all the legislative, executive and judicial departments, the construction of federal buildings and enterprises, and all the activities established to promote the general welfare such as, public health, education, conservation of natural resources, the census, roads, agriculture, labor, industry, and trade. In Table 5 the various departmental expenditures are shown with the percentage which each is of the total Federal expenditures. Only a more detailed analysis, however, will give a proper concept of the actual functions performed by each department.

Table 6. Expenditures of Department of Agriculture, Fiscal Year 1931

Item	Amount	Per cent
<u>Roads --</u>		
Federal Aid to States	\$ 158,322,940	
Forest Roads and Trails	18,831,020	
Mount Vernon Highway	<u>3,392,959</u>	
Total for Roads, as above	\$180,546,919	57.98
Emergency Drought Loans	48,824,743	15.68
<u>Payments to States --</u>		
State Experiment Stations	4,340,000	
Extension Work	8,650,229	
Forest Fire Prevention, etc.	<u>3,434,033</u>	
Total, Payments to States as above	16,424,262	5.28
Ordinary Activities of Department	65,584,269	21.06
Including --		
(a) Some of the larger items clearly of general public interest, as follows:		
Weather Bureau (general)	2,745,834	
Weather Bureau (for aviation)	1,241,627	
Meat Inspection	5,592,190	
Food and Drug Laws	1,614,666	
Forest Service	14,979,336	
Biological Survey	1,956,515	
Tuberculosis Eradication	<u>6,252,744</u>	
Total, above items (11.04%)	34,382,912	
(b) Remainder (10.02%)	<u>31,201,357</u>	
	65,584,269	
Total, Department of Agriculture, All Purposes	311,380,193	100.00
Less checks issued but unpaid June 30, 1931	<u>14,514,248</u>	
Net Cash Withdrawal from Treasury	296,865,945	

* On basis of Budget Statement No. 2, Pages A32-A47 of Federal Budget for 1933.

Expenditures of the Department of Agriculture

Of all the civil departments, Agriculture stands first in the expenditure of money. Partly on this account, partly because of our special interest in agriculture, the total expenditure of the department is given a more detailed analysis that the various functions performed may be better understood. It is of prime interest that such a small percentage of the expenditures by the department are purely for the farmer group. In 1931 roads alone took 57.98 per cent of the funds; emergency drought loans something outside the usual activities of the department, 15.68 per cent; another group of activities including the weather bureau, meat inspection, food and drug laws, forest service, biological survey and tuberculosis eradication are only partially in the interests of agriculture being more nearly general welfare activities that took 11.04 per cent of the funds. The remainder of the total was made up of payment to states for agricultural and forestry purposes 5.28 per cent, and activities of the department directly agricultural 10.02 per cent.

Federal Expenditures Classified by Functions

The foregoing presentation of Federal expenditures has been on the basis of departmental organization which is only roughly descriptive of the actual functions performed. A thorough-going classification according to functions is highly desirable for in final analysis it is the flow of actual service created by governmental expenditures that we as citizens are interested in. The following tabulation is derived from a functional classification as organized by the Bureau of the Budget. Even this classification cannot be taken too literally although the best short description available.

Table 7. Percentage Distribution of Federal Expenditures, Fiscal Year 1930, Classified by Function

	Per cent		Per cent
A. General Functions:		C. Civil Functions:	
1. Legislative	0.35	1. Foreign relations	0.36
2. Judicial	0.28	2. General law enforcement	1.13
3. Executive	<u>0.01</u>	3. Control, currency & banking	0.32
Total	0.64	4. Admn. Indian affairs	0.80
4. General Administration:		5. Admn. public domain	0.94
a. Fiscal administration	1.80	6. Reg. & pro. Com. & Industry	0.58
b. Government supply services	.09	7. Reg. & pro. air transport.	0.20
c. Public buildings service	.55	8. Reg. & pro. water transport.	1.96
d. Civil and foreign services,		9. Reg. & pro. land transport.	0.19
pensions and allowances	.58	10. Postal deficiency	2.30
e. Other general expense	<u>.05</u>	11. Promotion & reg. Agr.	5.26
Total	3.07	12. Pro. & reg. fisheries	0.06
5. Construction of govt. bldgs.	<u>1.12</u>	13. Pro. & reg. labor	0.26
Total General Functions	<u>4.83</u>	14. Immigration & naturalization	0.24
B. Military Functions:		15. Public health	0.49
1. National defense:		16. Public education	0.36
a. General	15.02	17. Science & research	0.59
b. Buildings	.33	18. Public improvements	4.92
c. Aircraft	.78	19. District of Columbia	1.21
d. Ships	<u>1.46</u>	20. Relief	<u>.05</u>
Total defense	17.59	Total Civil Functions	22.22
2. Military pensions, homes, etc.	<u>20.93</u>	D. Non-Functional:	
Total military	<u>38.52</u>	1. Refunds	4.00
		2. Debt retirements	13.90
		3. Interest	<u>16.53</u>
		Total Non-functional	<u>34.43</u>
		Grand Total	100.00

III

The Revenue System of Ohio

The State government of Ohio and its local governments are linked together at numerous points: tax administration, control of finances, and the supervision of various functions have a degree of centralization. On this account it is desirable to review the State and local system of taxation as a unit before discussing each separately. A number of taxes in Ohio are partly for the support of the State and partly for local government.

The revenue system of Ohio as it now stands represents a gradual accretion of tax measures over a long period, but the main forms, with the exception of the property tax, go back not much more than fifty years. For example, in the year 1870 nearly 94 per cent of the income of even the State government was from the property tax (\$3,953,811). The next largest item of State income was from convict labor in the Ohio Penitentiary (\$164,014). Business taxes were relatively insignificant; the largest was insurance company fees (\$23,103). In other words the general property tax was the only important revenue measure for both State and local government, sixty years ago. As more service was demanded from time to time new taxes were developed to help meet the cost. We say help, because the property tax has remained the principal source of local revenue.

The relative fiscal importance of the various sources of revenue used for State and local government in 1926, and in 1930, are as follows:

	1926	1930
1. General property tax.	73.25%	67.17%
2. Special assessments on property	8.30%	8.17%
3. State inheritance tax	1.14%	1.37%
4. Corporation franchise tax	1.31%	1.57%
5. Public Utility excise tax	1.99%	1.49%
6. Insurance company fees and assessments.	1.31%	1.55%
7. Motor vehicle licenses.	3.00%	3.24%
8. Motor fuel tax.	3.63%	8.87%
9. Cigarette license tax	0.25%	0.23%
10. Liquor law fines.	0.53%	0.15%
11. Miscellaneous fees, fines, and receipts, state and local.	4.35%	4.76%
12. Federal aid for various purposes95%	1.43%
Total	100.00%	100.00%
Total revenue	\$349,164,000	437,291,000

Generally speaking, the fiscal policy of Ohio for years has been to reserve the property tax for the support of local units of government and to support the State government by business taxes. But the exigencies of practical politics as well as the need for revenue has prevented this policy from being carried out explicitly. For instance, since 1922 a state property tax has been levied to liquidate the World War Veterans' compensation bonds, and also another small levy was made in 1929 and 1930 to construct a state office building. In 1926 the state property tax levy represented 6.36 per cent of the total state revenue from all sources, or nine per cent of the state revenue realized from taxes. No state levy was made in 1932, the first time since Ohio was organized as a State.

Special assessments on real estate have been much used in Ohio to defray the expenses of urban property improvements. The construction of improved highways introduced special assessments to wider rural use. In the past decade it has become apparent that grave injustices have arisen when this source of funds was used to build roads which added little or nothing to the economic earning power of many

areas of farm land. Farmers, as well as officials, over-estimated the economic benefit of costly roads to the adjacent farm property. This has led to a modification of the law so that at present, excepting unusual cases, special assessments for State highway construction are limited to the eight most populous counties and their use in counties and townships is on the wane.

An inheritance tax on collateral heirs has been levied in Ohio since 1895 and direct heirs were taxed in 1894, 1895 and again in 1904 to 1908 inclusive. The present tax on direct heirs was established in 1919. In 1927 the state inheritance tax was broadened by the addition of an estate tax to utilize the advantage of the 80 per cent clause of the federal estate tax.

Revenue from the inheritance tax is divided one-half to the state and one-half to the municipality or township which was the residence of the deceased; or, in case of real property inheritance, the municipality or township in which such property is located receives the local share. Whereas rural communities contain few wealthy estates, the tax yield directly enjoyed by such communities is usually small; but since the tax is potentially a source of the state aid funds going to rural schools, its rural significance is increased.

The annual corporation franchise tax was introduced in Ohio in 1902. All the revenue this business tax produces goes to the state general revenue fund. The present tax is 1/10 of one per cent of the corporate assets. Fees are also charged for the privilege of incorporation.

Excise taxes are levied on public utility companies operating in Ohio at rates varying with the type of business. Without going into a lengthy enumeration, these include the transportation and communication companies, heating and cooling companies, and water works. In the past public utility excises have been for state purposes only and produced 7.84 per cent of the state's revenue in 1930.

In view of the greatly increased demands for poor relief in 1932 the legislature in special session placed another excise tax on public utilities for the period 1932 to 1937. The rate is one per cent of the gross income and is to be used for relief purposes only or to liquidate bonds issued by cities or counties for relief purposes. The funds are administered by the State Relief Commission a new agency of the State created to correlate and systematize local with state and national relief work.

The motor fuel tax was introduced in Ohio in 1925. At first a two cent tax, it was increased to three cents in 1927, and to four cents in 1929. The final allocation of the four cent tax in 1932-33 is as follows:

State	56.25	per cent
Counties	16.25	" "
Municipalities	18.75	" "
Townships	8.75	" "
Total	100.00	" "

Legally available until recently for use only on roads or streets for new construction maintenance and repair, the motor fuel tax has lifted some of the burden of highway building from both urban and rural real estate. In most counties and in numerous townships a burden of bonded indebtedness incurred for road construction still remains and unless legislative action intervenes, it will be well on in the next decade before property will be freed from this burden created out of the

demand for highways suitable for motor transportation. At present the motor fuel tax is yielding approximately \$3,000,000 of revenue per month -- or between \$36,000,000 and \$40,000,000 per annum. In 1932 the legislature in special session amended the gasoline tax laws and motor vehicle license law making the county's share of these taxes available for poor relief under certain conditions.

Insurance company taxes and fees are used for state purposes only. The rate of the annual tax is $2\frac{1}{2}$ per cent of the gross premiums collected on risks within the state by foreign insurance companies and a fee of one-half of one per cent on the gross premiums collected by fire insurance companies. Additional fees are collected from all insurance companies to cover the cost of state supervision.

The motor vehicle license tax and motor transportation tax are examples of important sources of revenue evolving from what was originally intended to be a regulatory license. The license tax was introduced in 1908. The funds have been divided equally between the state and the municipality or county, in which the vehicle is registered previous to 1932. But automobiles are exempted under the classified property tax law just adopted and the license tax increased. At least in 1932 and 1933 the local governments will receive 77 per cent of the license tax but due to the increased yield the state's share will not be reduced more than one-fourth. A heavier tax applies to motor vehicles carrying passengers or goods for hire and is called the motor transportation tax. One-half of this tax goes to the state and one-half is apportioned to the counties and municipalities according to the mileage of motor routes in each civil unit. These motor vehicle taxes yielded 8.11 per cent of the state's revenue in 1930.

The cigarette license tax, wholesale and retail, has been yielding a little less than a million dollars yearly. Three-fourths of this money goes to the state and one-fourth is used locally, being divided, one-eighth to the county and one-eighth to the township or municipality in which the dealer paying the tax is located. This tax is not to be confused with the cigarette sales tax first imposed September, 1931. This latter is a stamp tax of one cent for each ten cigarettes or fraction thereof in a package. The revenue of this latter tax, yielding about \$4,500,000 yearly, is at least temporarily to be used for state aid to common schools and for the state institutional building fund.

Liquor law fines may not be logically considered as a stable source of revenue, nevertheless, the revenue from these fines averaged more than two million dollars annually for the five years ending in 1926, but since has declined to nearly five hundred thousand dollars annually. To some extent these fines have replaced the former liquor license taxes which produced between five and six million dollars annually before the advent of prohibition. The revenue from the fines as from the previous licenses is one-half retained locally, the remainder going to the state.

Both the State and local units of government have numerous small items of income, often commercial in nature, which in the aggregate are quite important for they yield nearly five per cent of the revenue income. These will be disclosed in some detail when the various units of government are discussed.

Federal aid coming to Ohio has been averaging about one per cent of the total revenue income for state and local purposes. These grants have been mainly for "federal aid" roads, education, agriculture, and health.

Of all state and local revenue in the various years of the past two decades the state has administered approximately 16 per cent and local governments 84 per cent. Therefore, it is evident that despite the growing tendency for centralized control, taxation in Ohio remains largely a local issue.

Table 8.- Revenue Income of The State Government of Ohio, 1930

Source	Amount	Per cent
General property tax	\$ 5,833,558	7.02
Corporation fees	6,871,302	8.26
Inheritance tax	2,999,065	3.61
Hunting and fishing licenses	550,241	0.66
Motor fuel tax	23,064,393	27.74
Motor vehicle licenses	6,740,470	8.11
Public utility excise tax	6,521,309	7.84
Insurance Co. fees and assessments	6,774,275	8.15
Cigarette license tax	806,128	0.97
Miscellaneous revenue receipts	1,501,331	1.80
Fines	378,337	0.45
Earnings of general departments	7,411,016	8.91
Public service enterprises	233,601	0.28
Federal aid:		
Highways	4,499,882	5.41
Education	509,059	0.61
Soldiers & Sailors	62,130	0.07
Other	397,746	0.48
Rent of investment properties	22,345	0.03
Interest	3,455,319	4.16
Teachers' retirement funds (S. B.)	2,347,200	2.83
Other pension assessments	1,990,413	2.39
Donations	181,951	0.22
Total	\$83,151,071	100.00

Having sketched the system of revenue of State and local government in Ohio, we will now examine the finances of the State government alone. The principal sources of the State's tax-revenue have been already discussed; but as shown in Table 8 a number of other revenue items are important; a few of these will be explained briefly.

Earnings of General Departments.- Inspection of the chart on page 23, showing the administrative organization will give some conception of how the state government is organized in departments and bureaus. Any of these may earn some revenue income from services and goods rendered. Sometimes this is a very substantial amount; for instance from students fees, sales of products and other activities, Ohio State University earned nearly \$2,000,000 in 1930 and the Department of Public Welfare sales were more than \$1,700,000. Taken in the aggregate the departmental earnings in 1930 were nearly nine per cent of the State's revenue income. The following listing of departmental earnings will give the reader an idea of how these originate:

<u>Name of department or division</u>	<u>Description of earnings</u>	<u>Amount</u>
Agriculture	Licenses and inspection of nurseries, creameries, feed, fertilizer	\$ 366,685
Experiment Station	Sales of agricultural products, forest trees, etc.	84,940
Bureau of Inspection and Supervision of Public Offices	From local governments - inspection	487,483
Division of Banks and Banking	Bank inspections	248,998
Ohio State University	Student fees	808,385
" " "	Other earnings & sales	1,112,116
Other colleges and universities	Student fees	530,639
Department of Public Welfare	Sales	1,710,976
All other departmental earnings		<u>2,060,794</u>
Total		\$ 7,411,016

Public Service Enterprises.- The State has few activities coming under this heading. In 1825 Ohio launched in the great venture of supplying a system of water transportation to her citizens through the construction of canals. 813 miles of canals were built which in time were made obsolete by the introduction of the faster railway transportation. The canals are no longer maintained but the canal lands and reservoirs yield revenue as follows:

Canal land leases	\$156,277
Reservoir land leases	3,908
Water power leases	33,228
Pipe line leases	<u>40,188</u>
Total	\$233,601

Federal Aid.- Financial assistance in the construction of State highways represented more than four-fifths of the total Federal aid in 1930, or \$4,500,000. Some Federal assistance is given for the maintenance of the State soldiers and sailors homes. The remainder is for education and agriculture. The following list is descriptive:

<u>Name of fund</u>	<u>Department receiving aid</u>	<u>Amount</u>
-----	State Highway	\$4,499,882
-----	Soldiers' and Sailors' Home	62,130
Smith Hughes (Vocational ed.)	Education	380,775
George Reed "	Education	23,595
Tracy Copp "	Education	54,708
Morrill	Ohio State University	50,000
Smith Lever	O. S. U. (Agr. Extension)	176,107
Federal Extension	" " " "	63,811
Capper Ketcham	" " " "	40,193
Federal Cooperative	" " " "	20,000
Adams-Hatch-Purnell	Ohio Agricultural Experiment Station	90,000
Weeks	" " " "	<u>7,635</u>
Total		\$5,468,817

State Funds

In order to give a proper perspective on the state financial system it is desirable to describe in a summarized manner the system of "funds" established for the administration of state finances.

The General Revenue Fund.- All revenue coming to the State of Ohio from any source when not designated by law for a particular purpose is credited to the "General Revenue Fund." Slightly less than half of the state's revenue is collected on this basis. Also some revenue which is legally dedicated to particular purposes is credited to the General Revenue Fund so that this fund contains not only undesignated revenue but also several millions of dollars belonging to special funds.

Highway Construction Fund.- Not since 1923 has there been a state general property tax levy for road purposes. However, some local funds have been contributed since then through county tax levies and through special assessments levied on adjacent real estate. In 1927 county cooperation in construction of state highways was abolished excepting in the urban counties. At the present time the state highway construction fund is derived almost entirely from the gasoline tax and from federal funds.

Highway Maintenance and Repair Fund.- For the past several years it has been the policy to set aside certain revenues in a special fund for the maintenance and repair of roads. Prior to the levy of the gasoline tax the state's portion of the proceeds of the automobile registration tax was the chief source of revenue for this purpose. The resources of this fund are now augmented by part of the state's share of the gasoline tax.

World War Compensation Fund.- In November, 1921, the voters of the state approved an amendment to the constitution enabling the legislature to finance the payment of a bonus to world war veterans by a bond issue of \$25,000,000 and to provide a special tax levy for the interest on the bonds and the retirement of certain annual maturing installments. The proceeds of this levy are credited to the "World War Compensation Fund." The 1931 tax levy was the last collected for the purpose.

Institutional Building Fund.- The legislature provided for a special tax levy of .25 mills for construction, repairs and additions to certain welfare and correctional institutions during the two fiscal years 1921-22 and 1922-23. The levy lapsed at the close of the second year but the fund is still in existence by reason of the fact that some delinquent taxes when collected in various counties apply to that special levy and accrue to that fund. Also, part of the revenue derived from the cigarette excise tax, effective September 1, 1931, may now be turned into this fund.

The Motor Transportation Distribution Fund.- This represents the local share of the motor vehicle license tax paid by motor transportation companies operating over fixed routes.

The Gasoline Excise Tax Fund.- First established in 1925 it represents the share of such monies returned to counties, municipalities, townships and refunds to tax payers.

Educational Equalization Fund.- Prior to 1923 "state aid" was supplied by a general property tax levy. Since then appropriations for the purpose have been made from the general revenue fund. In 1931 the cigarette excise tax was enacted with the stipulation that the proceeds were to be used for "state aid" and for institutional buildings. The tax is paid into the General Revenue Fund.

Disbursements of the State Government of Ohio, by Funds and Departments, 1930.

Fund, and Department or Division	Disbursements	Fund, and Department or Division	Disbursements
	Dollars		Dollars
General Revenue Fund:			
Adjutant General	979,132	Fort Meigs Memorial	2,042
Division of Aeronautics	6,806	U. S. Grant Memorial Park	4,251
Department of Agriculture	1,868,058	Schoonbrunn Committee	16,575
Experiment Station	877,393	Campus Martius Memorial	29,962
Archaeological & Historical Society	155,215	Ohio Revolutionary Memorial	25,366
Attorney General	150,030	Greenville Historical Society	2,886
Auditor of State	619,090	Judicial Council	5,916
Bowling Green State College	453,663	Veterans' Compensation	
Civil Service Commission	62,978	General Revenue	<u>12,125</u>
Department of Commerce	1,003,809	Total General Revenue	<u>39,112,976</u>
Controlling Board	22,467		
Department of Education	2,188,138	Special Funds:	
Executive Department	62,613	Weak School Districts	4,206,844
Department of Finance	1,326,206	Interest Irreducible Debt	332,860
Department of Health	629,498	Institutional Building Fund	160,654
Department of Public Works	450,689	Highway Fund	26,862,307
Department of Industrial Relations	1,317,361	Highway M. & R. Fund	17,017,346
Ohio Judiciary	789,372	State Office Bldg. Fund	1,196,284
Kent College	527,082	School & Ministerial Trust	53,008
Ohio Legislature	61,125	School & Ministerial Land	
Miami University	862,387	Rentals	17,954
Ohio Soldiers' and Sailors' Orphans' Home	562,202	Veterans' Compensation	
Ohio State University	7,827,088	Sinking Fund	2,796,875
Ohio University	1,133,210	Motor Transportation Dist. Fund	(a) 125,030
Prohibition Commissioner	429,749	Gasoline Tax Fund	(b) <u>16,049,345</u>
Department of Public Welfare	13,707,971	Grand Total	<u>107,931,481</u>
Secretary of State	103,878		
Tax Commission	210,298		
Ohio Topographical Survey	25,698		
Treasurer of State	55,195		
Wilberforce University	372,605		
Workmen's Compensation	150,000		
Pawnbrokers	10,950		
Waterways Commission	9,184		
State Board of Uniform Laws	150		
George Rogers Clark Memorial Commission	1,368		
Wm. Henry Harrison Memorial	1,165		

(a) This amount represents only the portion returned to counties, balance (\$190,677.50) was transferred to M. & R. Fund.

(b) This represents only monies returned to counties, municipalities, townships and refunds.

The State Office Building Fund.- This was established out of revenues from a State property tax levy in 1929 and 1930. Due to the explosion in April 1932, which partially wrecked the nearly completed building a State bond issue not exceeding \$750,000 was authorized by the legislature in special session.

The School and Ministerial Trust Funds.- These represent the present fruit of congressional action in 1785 whereby one-thirty sixth of all lands contained in the Northwest Territory was set aside for the education of its people. When admitted as a State this land in Ohio was placed in the care of the legislature. In 1917 the Auditor of State was made the State Supervisor of School and Ministerial Lands replacing the previous scattered administration. Rentals and sales of lands and minerals yielded \$70,962 in 1930 to be distributed to schools and churches. Section 29 in each township in the Ohio Company's Purchase and Symmes' Purchase were set aside by Congress "for the purpose of religion." These are the only lands thus set aside for religious purposes in the United States.

Expenditures of the State Government

In Table 9 the expenditures of the State Government are given by Funds and by Departments. It may be noted that the expenditures are in excess of the revenue income, previously listed. This difference is in part due to not counting as state revenue the monies in the motor transportation distribution fund and the Gasoline tax fund returned to local governments as their share of state collected taxes. The remaining difference is represented by the excess of expenditures over receipts for the year 1930.

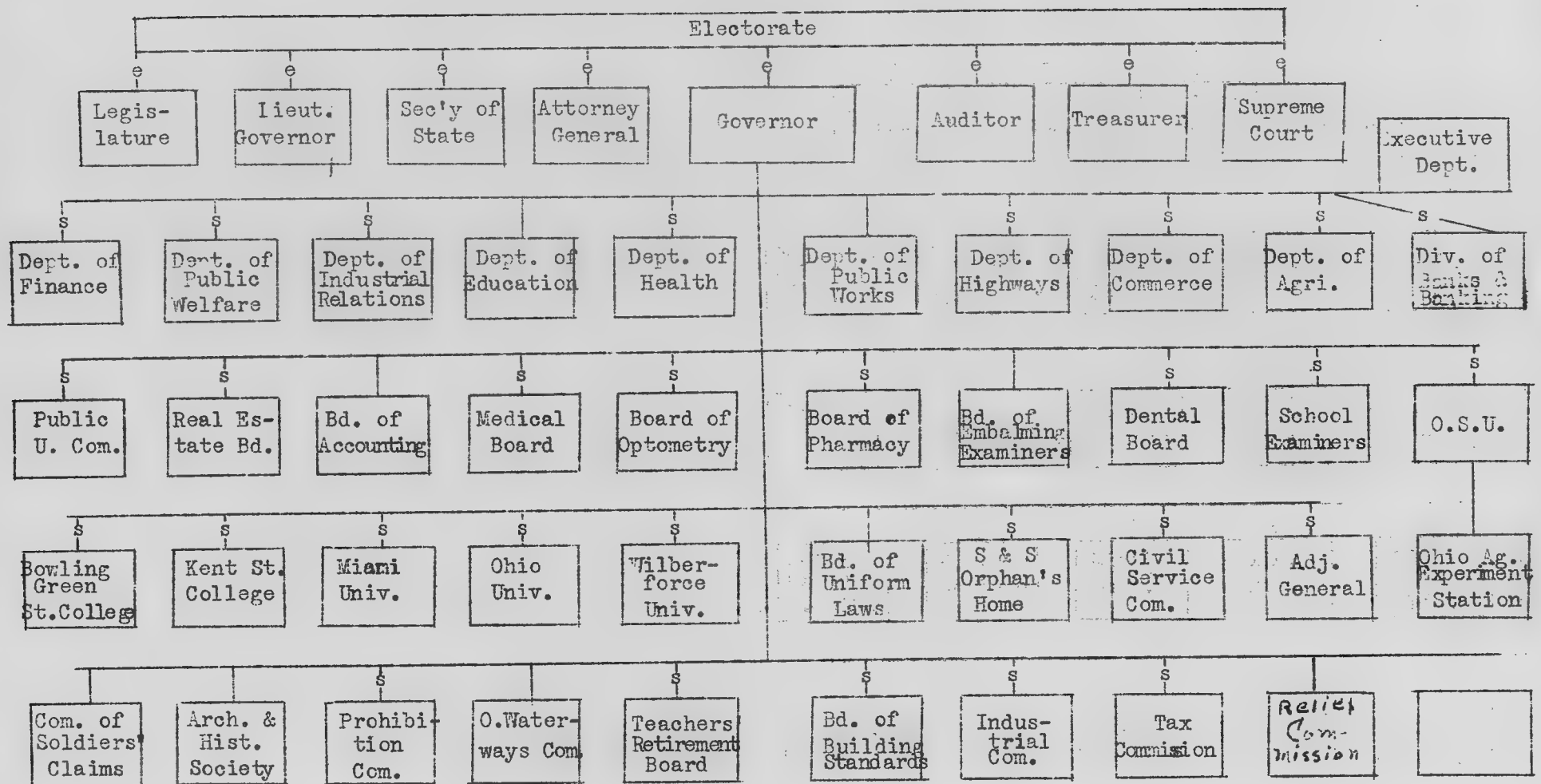
In Table 10 is given a distribution of the total expenditures of the State for the various governmental services, as classified by the U. S. Department of Commerce.

Table 10.- A Functional Distribution of the Expenditures of the State Government of Ohio for Operation, Maintenance and Outlay, 1930

Function	Amount		Per cent
	Total	Per Capita	
General Government	\$ 4,517,244	\$0.68	5.1
Protection to person and property	3,625,685	0.54	4.1
Health and sanitation	604,782	0.09	.7
Dev't. and conservation of natural resources	3,296,574	0.50	3.7
Highways	43,503,008	6.55	49.4
Charities, hospitals and corrections	13,535,899	2.04	15.4
Education	15,228,438	2.29	17.3
Recreation	392,821	0.06	.5
Miscellaneous	2,535,573	0.38	2.9
Interest	700,284	0.10	.8
Public Service Enterprises	104,734	0.02	.1
Total	\$88,045,042	\$13.25	100.0

From "Financial Statistics of States, 1930," Tables 12, 14 and 15.

Administrative Organization of Ohio



- e Elected
- Appointed by the Governor
- s Appointed by the Governor and confirmed by the Senate

IV

Table 11.- Distribution of Functions Among Local Units of Government that Affect Rural Development in Ohio

Function	County	Township	School District	Special District
Highschool and primary school			X	
Adult education	X			
Library	X	X	X	
Community building		X		X
Playgrounds			X	
Parks	X	X		
Forest reserve	X	X		X
Fire protection		X		X
Road lighting		X		
Police protection	X	X		X
Health service	X		X	
Hospitals	X	X		
Cemetery		X		
Waterworks and for electric light plant				X
Flood control				X
Canal or drainage	X			X
Sanitation	X	X		X
Memorial buildings and monuments	X	X		
Poor relief	X	X	X	
Highway construction and maintenance	X	X		
Experimental farms	X			

The above table is not intended to be a complete listing of all functions performed by local units of government. It is intended to show something of the latitude which the general assembly of Ohio has granted to local units of government for the performance of services that particularly affect rural social and economic development.

The material in Table 11 also suggests the possibility that some duplication of effort may occur in that two or more units of government may be carrying on the same work in a community.

Origin and Development of Our System of Local Government

American local government is characteristically English in its origin although somewhat similar governmental forms are to be found on the continent. The English Tun and Shire of the sixth and seventh centuries A. D. were natural geographic areas determined by the economic and social organization of the people. Later these became the town (or township) and county. The township moot became a parish meeting and much is due the church for maintaining this primary group meeting through the medieval ages.

This ideal of local democracy maintained itself in Colonial America in the New England town meeting and was later established with some modifications in the townships of the North and Central States. In the South the county was the smallest unit of local government; fitting into the plantation system better than the town or township organization. The Middle Atlantic colonies developed separate municipal governments for the trade centers whereas the New England town combined the central village trade center and the open country area in the one unit of local government. The Central States adopted the system developed in the Middle Atlantic colonies; therefore, in Ohio we have incorporated villages often of only a few hundred inhabitants separated from the surrounding township also containing only a few hundred inhabitants.

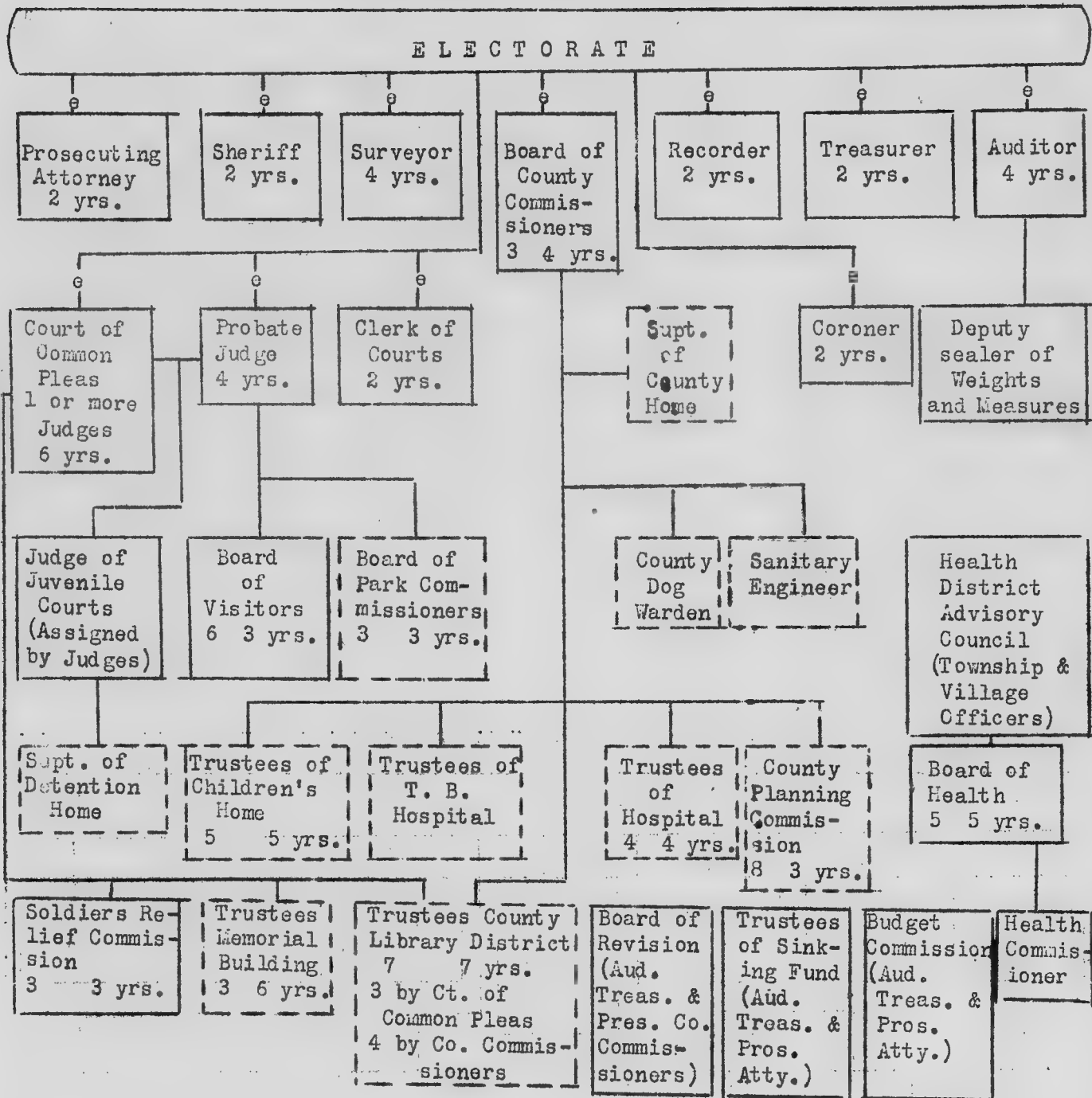
Excluding the New England states with town governments there are seventeen states with civil townships which function as units of local government; and in seven other states the name "township" is used to designate districts and voting precincts within the county. In four states - Illinois, Indiana, Nebraska and Ohio - incorporated city and village areas may not be entirely separate from the township government. For example, in Ohio, outdoor poor relief in the incorporated villages is ordinarily administered by the township government. Usually only in cities in Ohio do we find the township government entirely replaced by the municipal corporation. All states are divided into counties, although in one state, Louisiana, this unit of government is called the parish.

In a nation with the ideal of popular control of government, the significance of small units of local government, such as the town or township, lies in the fact that a face to face group is functioning, or is supposed to function, to control and direct the local activities. From this face to face group there is supposed to develop a sense of responsibility and a leadership to guide the larger areas and activities of the State. This ideal of the face to face group is an actuality in the New England town meeting. On the other hand, only in rare instances in the civil townships such as we have in Ohio, do we find it customary for the citizens to participate in the township meetings. Such meetings are usually attended only by the duly elected officials although open to the public. In some cases, as at the annual budget meeting, they are held to encourage public discussion - a purpose not often achieved.

A few suggestions may be advanced for the lack of popular participation in the affairs of the civil township. First, the civil township areas were established by surveys laying off checker-board squares on the earth's surface. These squares often did not represent a unit area of economic or social interest that bound the people together as was the case in the New England town. Second, the social background of the original settlers varied a great deal. Differences of nationality, customs and religion were not conducive to the solidarity and unity prevailing in New England. Third, the legal framework under which the townships operated has not encouraged universal interest. Fourth, the type of economy may not have created the need for a strong township government in the mid-west.

In eight states, township meetings are provided for by constitution or statute. These are: Illinois, Michigan, Minnesota, North Dakota, Nebraska, New York, South Dakota, and Wisconsin. In Ohio as in several other states the township meeting has been replaced by the election by ballot of a township board which transacts all business of the township. The attempt in Ohio a few years ago to arouse more public interest in local affairs by holding an annual budget meeting has thus far failed to create much interest although a law was enacted to specifically encourage public interest in the townships' business.

Organization of County Government



Legend

- ☐ Required by law
- ☐ Optional with county
- e- Elected
- Appointed

The Framework of Local Government

A glance at the charts depicting the organization of county, township, and school district government will convince one that it is indeed a well informed citizen who knows his local governments. Only a study of the extensive list of laws relating to the various offices, departments, boards and commissions can give a full conception of the structure of local government the following brief description of which is the barest outline.

The County

All local governments have certain corporate powers conferred upon them through the enactment of specific laws by the legislature. In the case of county government these powers and the functions associated with them have been scattered through more than a dozen elective offices and through an even greater number of appointive offices, commissions and boards. As new needs have arisen from time to time with the growth of governmental service, new agencies have been added to the group of county officials making a rather complicated organization - more complicated in fact because of little unifying management and no executive head. The following description will indicate the place in the picture of county government occupied by various agencies.

The Board of County Commissioners.- Of all positions in county government the board of three commissioners holds the broadest grant of powers. In addition to being the legislative body of the county, the board performs numerous executive duties. The commissioners have some power to enforce policies on other county offices through control of appropriations, through the fixing of the aggregate amount of compensation an official can disburse for assistants, and through the authorizing of the annual tax levies for the various county purposes. But control of some items is beyond the power of the commissioners for often the law states that under given circumstances the commissioners "shall" levy a tax or "shall" assume an obligation instead of leaving the matter optional. Therefore, although the commissioners authorize the levy of taxes for county purposes and make the appropriations for each function or official act, their control over many items of expense is more nominal than real. Practically no control is exercised over the expenses of the courts or prosecuting attorney by the county commissioners.

The influence of the county commissioners is extended through their appointive power to the superintendent of the county home, the county dog warden, the sanitary engineer, and the trustees of such institutions as the children's home, the tuberculosis hospital, the general county hospital, and the county planning commission.

In the fiscal sense or in terms of public welfare, the most important single duty of the commissioners is the improvement and maintenance of the county road system. The average Ohio county has nearly 1000 miles of road; although approximately half of this is township road and part of the remainder state road, the county commissioners are likely to have some responsibility arise in connection with any of this mileage and they are fully responsible for the county system. Of the one hundred million dollars spent by counties in 1931 almost one-third was for highways and bridges. Although the commissioners authorize all county expenditures, the administration of the road funds entails more responsibility than any other fund. A later discussion will show that the county surveyor is also closely associated with highway finance.

The Auditor.- Among official positions, that of auditor is of primary importance either from the standpoint of efficient functioning of the government

or from the standpoint of the taxpayers. He is the chief fiscal officer responsible for the accurate accounting of all funds and appropriations, and the issue of warrants on the county treasury.

Of equal importance with his fiscal duties is that of being the assessor of real and personal property. The auditor under the present law must reappraise all real estate each four years and must make such annual adjustments in the valuation of individual tracts of real estate as may be necessary to give equality. Even the smallest county has thousands of individual plots of land to be given a valuation. Although some supervision of such work rests with the State tax commission the actual work of valuation rests with the county auditor.

Under the new classified property tax, personal property assessments are made by the county auditor when the individual return is less than \$5000 and by the State tax commission when the return is \$5000 or more. But again the county auditor as a deputy of the tax commission has the responsibility of assessing each individual. Taxes of all units of local government are levied and collected by the county.

The Treasurer.- When warrants for payment of county funds are issued by the auditor, the actual disbursement is then made by the treasurer who is the custodian of the actual funds. Also, the tax list prepared by the county auditor, is delivered to the treasurer for collection from the individual tax payers. This division of labor between the auditor and treasurer dates back to the time when it was thought necessary to use one fiscal officer to check on the integrity of another. This necessity has been removed by the present control of accounting by the State's bureau of inspection and supervision of public offices.

The Recorder.- As a protection to property rights and contractual relationships it is necessary that a public record be made of deeds, mortgages of real estate and chattels, leases, and plats and surveys of land. The filing and preservation of these records, available to the public, constitutes the service rendered by the county recorder.

The Surveyor.- The county surveyor must prepare all plans, details and estimates of cost, and submit forms of contracts for the construction and repair of all bridges, culverts, roads, drains, ditches and other public improvements excepting buildings constructed under the authority of some of the county boards. The surveyor is responsible to the county commissioners for the inspection of all public improvements, for the preparation of plat maps of real estate in the county, and generally speaking, for any civil-engineering duties in which the local public interest is involved. Although the county commissioners are responsible for letting contracts for construction work, for the issuance of bonds and levy of taxes for county purposes, the county surveyor is responsible for the proper expenditure of a large portion of the funds; for through his supervision and inspection of materials and construction he must verify that the policies and plans of the commissioners are executed. The important connection between these two agencies is evident.

The Sheriff.- The general duties of the sheriff are to preserve the public peace, execute writs and warrants, to have charge of the courthouse under the direction and control of the county commissioners, and to have custody of all prisoners in the county jail. He is also responsible for all goods taken through execution and attachment, for the selling of property at foreclosure sale and at partition sale and for the proceeds from such sales.

The Coroner.- The duty of the coroner is to inquire into the cause of the death of a person when peculiar or suspicious circumstances exist. He may

subpoena witnesses, take testimony, and if authorized by the prosecuting attorney, make an autopsy. A report of findings is returned to the clerk of the court of common pleas. When the county has a morgue the coroner is the official custodian.

Prosecuting Attorney.- Only licensed attorneys are eligible for this office. The duties include inquiry into and prosecution of crimes committed in the county; and the prosecution in behalf of the state of all suits and controversies to which the state is a party when such proceedings fall within the jurisdiction of the probate court, common pleas court, and court of appeals; also in conjunction with the attorney general he may prosecute in the supreme court cases arising in his county.

The prosecuting attorney is the legal adviser of county and township officers and of the board of elections. All surety bonds of the county officers are prepared by the prosecutor who must see that these bonds are properly executed. It is his duty to prevent any mis-application of county funds and to prevent any illegal contracts or frauds on the part of other officials. The court of common pleas fixes the aggregate amount the prosecutor can expend for assistants in his office.

The Judicial System.- The judicial powers of the State are vested in a supreme court, courts of appeals, courts of common pleas, courts of probate, justices of the peace and other magistrates courts of similar grade, municipal courts and in a few special courts inferior to the courts of appeals. The common pleas and probate courts are part of the governmental organization in every county, and the justice of the peace in every township.

The Court of Common Pleas.- This is a court of original jurisdiction for the trial of issues of fact and law, according to principles of the common law. In Ohio criminal cases are also tried in this court. One or more common pleas judges are elected in each county. This court has original jurisdiction in civil cases where the sum or the matter in dispute exceeds the exclusive original jurisdiction of justices of the peace. In criminal cases the court of common pleas has original jurisdiction except for minor offenses where magistrates' courts have jurisdiction. Rules on jurisdiction are too complicated to be stated in this brief discussion, for no short general rule can be laid down. However some idea can be gained from the statement that courts of justices of the peace have exclusive original jurisdiction in civil actions for the recovery of sums not exceeding one hundred dollars, and concurrent jurisdiction with the court of common pleas in sums over one hundred and not exceeding three hundred dollars.

Through appointive powers, the court of common pleas has a measure of influence in county government beyond administering the purely judicial function. This court appoints the soldiers' relief commission, trustees of the memorial building, three of the seven county library trustees, and concurrently with the probate judge assigns the judge of the juvenile court which in turn appoints the superintendent of the detention home.

Probate Court.- In general terms this court has jurisdiction in the probate of wills and the regulation and management of decedents' estates as well as a more or less extensive control of the estates of minors and other persons who are under the special protection of the law. The probate judge issues marriage licenses and maintains a record of all births and deaths occurring in the county. The voters of a county may elect to combine the probate court and the court of common pleas. This law has been little used.

Juvenile Court.- To regulate the treatment, control and custody of dependent, neglected, and delinquent children, a judge of the common pleas court or probate court is assigned by these courts to sit as judge of the juvenile court. When the juvenile judge deems it advisable the county commissioners shall provide a detention home for the housing of minors coming under the court's care until a final disposition can be made in each case.

Clerk of Courts.- The general duties of the clerk consist in filing all cases, orders, decrees, judgments, and proceedings of the courts. He must keep at least five books called the appearance docket, trial docket, journal, record, and execution docket. Some duties of the clerk have nothing to do with court business; for instance, he sells hunting and fishing licenses, and motor vehicle bills of sale are filed in this office. The clerk is the custodian of the county's law library maintained for the use of the courts and lawyers.

Board of Park Commissioners.- In order to encourage forestry and to provide for the conservation of natural resources including streams, lakes and swamp lands, park districts can be created to include part or all of the territory within a county. The three park commissioners, appointed by the probate judge, constitute a corporate body capable of purchasing land, borrowing money, levying special assessments, and taxes not in excess of 1/10 of a mill on the taxable property within the district. The commissioners receive no remuneration except actual expenses.

Memorial Building.- The voters of a county may elect to levy a tax not to exceed one mill annually for not more than five years to purchase the site and to erect and furnish a memorial building to commemorate the services of the soldiers, sailors, marines, and pioneers of the county. Or, the memorial building trustees appointed by the court of common pleas, have authority to transfer the "memorial building fund" to the "state armory fund" to be expended in connection with state money for an armory within the county. Or, a memorial building when completed may be used for a public library under the supervision of the county library trustees.

Children's Homes.- The county commissioners of any county, or of several counties acting jointly have the power to establish a children's home upon approval of the director of public welfare of Ohio. When completed the home is placed in the care of a board of five trustees serving without pay. The trustees appoint a superintendent or a matron. Children under permanent commitment to the institution, are under the control and guardianship of the trustees until they become of age.

Hospital.- The county commissioners have power to purchase, appropriate, construct, enlarge, or rebuild a county hospital provided the voters of the county first approve a tax levy or bond issue for the purpose. A county hospital may also be designated as a county memorial building. To supervise the construction the governor appoints a board of four trustees who have full responsibility and control. When completed, the county commissioners appoint four trustees for administration and operation of the hospital; but the county commissioners are responsible for such administration and may remove a trustee for failure in performance of his duty, although not for political reasons. The trustees control the policy of fixing rates charged patients and deciding who shall be considered charity patients. A superintendent employed by the board engages the physicians, nurses, and other employees, subject to confirmation by the board.

Tuberculosis Hospital.- A county (of more than 50,000 population) or group of counties can maintain a tuberculosis hospital. The purpose of the

hospital is to care for and treat persons admitted to the county infirmary who are afflicted with tuberculosis, and other persons of the hospital district suffering from the disease and in need of proper care and treatment. A board of trustees, shall have management and control. The county commissioners may constitute the board of trustees. The state health department has general supervision of all hospitals for tuberculosis, and may proscribe and enforce rules and regulations and must approve locations and plans of construction.

Board of County Visitors.- This board is appointed by the probate judge; at least three of the six members shall be women. The duties are the inspection of all charitable and correctional institutions supported in whole or part from county or municipal funds. The board is to keep fully advised of the condition and management of each institution and shall recommend, from time to time, to the county commissioners and to other officials responsible, such changes as seem desirable for economy and efficiency.

Blind Relief.- Indigent blind persons were formerly given relief through a special agency, the blind relief commission. This relief is now administered directly by the county commissioners and is not to exceed four hundred dollars per annum paid quarterly to each person; in case a husband and wife are both blind the two may be given not to exceed six hundred dollars per annum.

Mothers Pensions.- To assist in maintaining mothers with children in their own homes, the county may pay a needy mother a pension provided the husband is dead, physically or mentally infirm, a prisoner, or has deserted his family of children too young to leave school to work. The juvenile court administers the pension which cannot exceed thirty-five dollars per month for one child and ten dollars for each additional child.

Soldiers Relief Commission.- This commission of three persons appointed by a judge of the court of common pleas administers the relief of indigent soldiers, sailors, and marines, and of their indigent parents, wives, widows, and minor children. The commission shall be composed so far as practicable of veterans, including one wife, widow, son or daughter of a veteran.

To assist in administering relief a soldiers' relief committee of three is appointed annually in each township and ward by the soldiers' relief commission. This local committee receives from needy individuals applications for relief.

The soldiers' relief commission annually certifies to the county commissioners the probable amount of revenue necessary for relief in the ensuing year. The commissioners shall levy the necessary tax to supply the relief but not to exceed five-tenths of a mill.

As is indicated in the preceding paragraphs the administration of public charity has been so scattered that some measure of reorganization became almost imperative when the growth of unemployment reached serious proportions in 1930-31. At the first special session of the 89th General Assembly of Ohio, March 29 to April 1, 1932, legislation of particular significance in the field of poor relief was enacted. First, this legislation provided for the State relief commission, the administrative machinery necessary to correlate national, state and local relief activities. Second, additional finances for relief were provided through diversion of existing taxes, through a special public utility tax, and through borrowing.

Because the county is given the chief local responsibility for relief work these new laws are summarized below.

Amended Senate Bill # 1.

This act authorized a state relief commission of five members appointed by the governor to serve until March 1, 1933. The sum of \$15,000 was appropriated for the use of this commission. The commission receives no compensation other than actual expenses.

This is an emergency measure intended to meet the unemployment situation and the growing requirements for poor relief through cooperation with and the coordination of national, state and local relief agencies.

Amended Senate Bill # 2.

This act authorized boards of education anytime prior to December 31, 1933, to furnish relief to needy school children who are in want of shoes, clothing, medical attention or other necessities.

When no school funds are available to meet the expense the county commissioners may allocate funds to the school board from the emergency relief fund.

Amended Senate Bill # 3.

This act authorized the expenditure of gasoline and motor vehicle tax funds in counties, cities, and townships, for poor relief purposes any time prior to March 1, 1933. The taxing authority of a subdivision shall submit to the state relief commission a statement of the amount proposed to be spent and the nature of the relief work.

Under this act the county commissioners may, upon approval of the state relief commission, transfer any part or all of the county's share of the gasoline and motor vehicle license taxes to cities or townships within the county for poor relief purposes.

Amended Senate Bill # 4.

This act authorizes the issue of bonds by counties and cities and the expenditure of such public money for the relief of the poor and unemployed, the investment of public funds in such bonds, and the levy of an excise tax on certain public utilities. The funds so raised can be used for work relief, direct relief, and hospital expenses of the indigent sick or disabled of the political subdivision.

To issue bonds for the above mentioned purposes the county commissioners shall declare the necessity for so doing in that other resources are exhausted; the commissioners' opinion must be supported by the opinion of the state relief commission and must be further verified by the state tax commission. The tax commission shall approve a total amount of bonds not exceeding the county's share of the public utility excise tax authorized by this act. The maximum maturity of the bonds shall not be later than March 15, 1938. Debt charges will be so distributed that approximately the same amount shall be paid out yearly as principal and interest.

The excise tax herein authorized, is one per cent of the gross receipts of each electric light, gas, natural gas, waterworks, telephone, messenger or signal, union depot, heating, cooling, water transportation and telegraph company on its intra-state business from 1932 to 1937 inclusive.

The funds collected shall be paid into the "county poor relief excise fund" and shall be allocated to the various counties by the following method: an average ratio shall be computed from the ratio (1) of the population of the county to the population of the state in 1930; (2) the total tax duplicate of the county to the total tax duplicate of the state in 1930; (3) the total valuation of the public utilities in the county to the total valuation in the state in 1930.

Whenever in 1932 the state relief commission finds that a county or municipality has issued the maximum in bonds heretofore authorized by this act, the tax commission may permit issuance of other bonds not in excess of 1/10 of one per cent of the tax duplicate of the subdivision. Maximum maturity shall be on or before September 15, 1940.

Proceeds from any bonds issued under this act shall either be paid into the emergency relief fund, or in case of an unincumbered balance shall be used for retirement of the bonds so issued.

Expenditures from the emergency relief fund shall not be made until the budget of the county or city has been approved by the state relief commission. After the budget is approved and prior to March 1, 1933, the county commissioners shall distribute the emergency relief fund to the cities and townships according to their relative needs for poor relief, including the renting of land and purchase of seed for gardens for the unemployed. Or, the county commissioners when authorized by the state relief commission, may spend any portion of the emergency relief fund for the purposes authorized.

The industrial commission of Ohio and the retirement board of the state teachers' retirement system are authorized to purchase bonds issued under this act. In case bonds are not salable at par the director of finance with the approval of the governor is authorized to invest any money in the highway construction fund in such bonds to total or not to exceed two million dollars. Or, county commissioners may use any surplus remaining in the undivided classified tax fund of their county, after the usual distribution of the fund as provided by law has been made, for poor relief purposes the same as if derived from the sale of bonds under this act.

County Library.- The county commissioners may receive a bequest or gift of a building, money, or property to construct and equip a public library for the free use of the residents of a county. After acceptance by the county of property for library purposes, the county commissioners may levy an annual tax not to exceed one-half mill for maintenance and care of the library. Management is vested in a board of seven trustees, four appointed by the county commissioners and three by the court of common pleas.

County Planning Commission.- Upon petition of the city planning commissions of a majority of the municipalities in a county, the county commissioners shall appoint a board of eight citizens including the county commissioners.

The powers and duties of a regional or county planning commission consist in making plans and maps of the area for systems of transportation, highways, parks and recreational facilities, the water supply, sewage and garbage disposal, civic centers and other public improvements which affect the development of the region or county. Provision for this commission (made in 1923) is an attempt to direct the development of the metropolitan areas around the larger cities.

Trustees of Sinking Fund.- Bonds issued by the various units of government in Ohio prior to January 1, 1922 were sinking fund bonds; those issued since then are serial bonds maturing in substantially equal semi-annual or annual installments. By this latter plan, taxes and other revenues are applied directly to debt payments as soon as collected. Under the previous sinking fund plan, revenues as they accrued would be used to purchase securities which were then held in the sinking fund as an investment until the time the bond issue matured.

Until all sinking fund bonds have been retired a sinking fund commission, as provided by law, must manage the sinking fund investments. In case of the county this commission is composed of the prosecuting attorney, the county auditor, and the county treasurer. After all outstanding sinking fund bonds have been retired the law specifies that the debt funds be administered by the treasurer of the county, school district, or municipality, as the case may be, who will maintain a separate fund for the purpose designated as the "bond payment fund."

Budget Commission.- In each county a budget commission consisting of the county auditor, county treasurer and prosecuting attorney consolidates the annual budgets of the various taxing districts within the county. The purpose is to fix the tax rates and the amount of property taxes to be levied within the county. The work is supposed to be started the first Monday in August and to be completed on or before the first day of September. The commission has the right to revise the budgets of the various taxing districts to bring the total tax levy within the limitations fixed by law. However, the taxing authority of any subdivision may appeal to the tax commission of Ohio if not satisfied with the action of the county budget commission.

Board of Revision.- The auditor, treasurer, and president of the board of commissioners of each county constitute the county board of revision. It is the duty of this board to hear complaints relating to the valuation placed on the tax duplicate of the current year, of both real and personal property. The board shall investigate all complaints, may increase or decrease any assessments complained of, or may order a reassessment. An appeal from the decision of the county board of revision may be taken to the tax commission of Ohio within thirty days.

Health Districts.- For local health administration the state is divided into health districts. Each city is known as a city health district and the townships and villages in each county constitute a general health district. A city and a general health district may combine into one district.

District Advisory Council.- The chairman of the trustees of each township and the mayor of each village in a county constitute an advisory council which appoints the district board of health.

District Board of Health.- One of the five members of this board must be a physician. The board must appoint a licensed physician as district health commissioner who acts as the executive officer of the district board, carrying out its orders and also the orders of the state department of health. The health commissioner is charged with the enforcement of all sanitary laws and regulations of the district and has the same powers within the general health district as health officers have in municipalities. A general health district may employ a public health nurse or other assistants, may provide infant welfare stations, health clinics and detention hospitals, medical and dental supervision of school children, and may inspect all public institutions, dairies, stores, restaurants, and hotels. Other duties of the district board of health are the free distribution of diphtheria antitoxin, and enforcement of the laws governing the registration of births and deaths. Provided the board of health of a city or general health district has complied with the orders and regulations of the state board of health, the state pays one-half of the expense of the health commissioner, district nurse and clerk, but not to exceed two thousand dollars annually.

Agriculture.- Although the services that come under this heading are not administered as a part of the county governmental organization the county does assume certain financial responsibilities in connection with the local organizations sponsoring or aiding agriculture. Three activities may be named in this connection, namely, agricultural societies, farmers' institutes, and the agricultural extension service.

The county government is obligated to aid agricultural societies consisting of thirty or more members in the following ways:

First, providing the society is organized in conformity with the state board of agriculture and makes an annual exhibit, the county shall contribute not

to exceed \$800. The total amount so paid shall not exceed 100 per cent of the amount paid by the fair board in premiums. The same amount and conditions of payment apply to independent agricultural societies holding annual fairs provided the legal requirements of organization are met and the rules of the state board of agriculture are complied with. The premiums offered by societies obligating the county government are for an improvement of grains, fruit, vegetables, livestock, articles of domestic industry, public school displays, and such articles and improvements as are calculated to promote the agricultural and household manufacturing interests of the county and state.

County agricultural societies are organized as corporate bodies capable of suing and being sued, of owning real estate or other property, and of performing those acts necessary for carrying out the purposes of the society. Administration is vested in a board of directors consisting of at least eight members, and the county agricultural agent and county school superintendent may be members ex-officio.

County commissioners are authorized to purchase real estate and to erect buildings to be used for agricultural fairs under the control of the county agricultural society. If more than \$10,000 is to be spent by the commissioners in any one year the question of a tax levy for the purpose shall be submitted to the vote of the people. Also, the people of a county can vote to issue bonds for the purpose of liquidating the indebtedness of the agricultural society when the indebtedness amounts to \$15,000 or more.

In addition to the above expenditures the county commissioners shall, on the request of the agricultural society holding fairs, appropriate annually from the general county fund not more than \$2000 and not less than \$1500 for the purpose of aiding the agricultural fair. The county is obligated to aid independent agricultural societies to the same extent. As a matter of fact county expenditures for fairs average about \$5000 per year or about twice as much as is contributed for other agricultural purposes.

Farmers' Institutes.- This activity is well established in the majority of agricultural communities, being fostered by farmers' institute societies which are encouraged by some financial aid from the county.

To receive financial aid a society must consist of twenty or more persons organized for the purpose of teaching better methods of farming, stock raising, fruit culture, and business connected with agriculture. When a constitution and by-laws conforming to the rules and regulations furnished by the trustees of Ohio State University have been adopted and the proper officers elected, the society is declared by the law to be a corporate body.

Not to exceed five farmers' institutes in each county are eligible for the regular support contributed to institutes from the county treasury. And, not to exceed \$300 can be contributed by a county in any one year to aid farmers' institutes.

Agricultural Extension.- County extension agents are partly supported by federal funds, partly by state funds, and partly by county funds appropriated by the board of county commissioners. The trustees of the Ohio State University employ the county extension agents, including agricultural agents, home demonstration agents, and boys' and girls' club agents. These are members of the teaching staff of the Ohio State University. The purpose of extension agents, as designated in the law, is to make available to the people of the counties the services of the United States department of agriculture, the Ohio department of

agriculture, the college of agriculture, the Ohio agricultural experiment station, and the Ohio department of education. The broad field of service the extension agents are intended to fill is well expressed in the law itself which reads: "The duties of these agents shall be to render educational service not only in relation to agricultural production, but also in relation to economic problems including marketing, distribution, utilization of farm products, as well as to other problems relative to the farm, the home, and the community."

To aid in the support of this extension service the county commissioners of each county are authorized to appropriate funds either from the general fund of the county or from a tax levied expressly for the purpose. In 1931 counties appropriated an average of a little less than \$3000 for support of extension agents.

County Experiment Farms.- In order to demonstrate the practical application under local conditions of the results of investigations at the Ohio Agricultural Experiment Station and to increase the effectiveness of agriculture, the commissioners of any county can establish an experiment farm. Upon petition of five per cent of the voters the commissioners must submit to the voters at the next general election the question of establishing an experiment farm, and the levy of a tax and/or the issuance of bonds to finance the purchase. A tax for such purchase cannot exceed one-fifth of a mill nor run for more than ten years.

The management of county experiment farms is vested in the director of the Ohio Agricultural Experiment Station. But plans for any project on the experiment farm must be approved by a local advisory board consisting of the county agricultural society if such exists in the county; if no society exists the county commissioners comprise the advisory board.

At the present time nine counties have experiment farms; these are: Belmont, Clermont, Hamilton, Madison, Miami, Mahoning, Paulding, Trumbull and Washington.

County Finances

Income.-(See Table 12).- Two-thirds of all county funds are derived from property taxes, and if we add special assessments to the property taxes, three-fourths of the total funds are derived from levies on property. Taxes on motor vehicles and motor fuel supply less than one-half of the money used on county roads, property taxes and assessments. the rest, despite the tendency to adopt the policy that road traffic should support the road ways that modern transportation demands. No other tax sources are of much importance previous to 1932. It should be mentioned that the one per cent tax on the gross earnings of certain public utilities is of temporary importance in county finance. This tax is to continue from 1932 to 1937 inclusive, to retire bonds issued for poor relief purposes, as discussed in another part of this publication.

Fees collected by the various county offices come from two sources: First, individuals pay certain fees when special services are performed for them; second, the county auditor and treasurer levy and collect taxes for all local units of government and for this service a fee is taken from the taxes collected for the various units of government before the funds are distributed.

Commercial receipts arise in connection with a great many county activities although interest on deposits in banks is by far the largest item in this category.

Expenditures (See Table 13).— As compared with either city or township the county has relatively large expenses that come under the classification of "general government." Appraising property, levying and collecting taxes, keeping public records for the protection of property rights and contractual relationships, the principal part of the State system of courts, and a large share of the cost of elections swell the cost of county "general government" to more than 18 per cent of the total of all expenditures.

Protection to person and property takes relatively little (only three per cent) of the county's money. Ordinarily rural areas receive little systematic police protection and in urban areas this function is performed by the city governments.

Health, hospitals, and bovine tuberculosis eradication combined take four per cent. The latter is often thought of as an agricultural activity although it comes nearer to being a health service.

Ditches and sewers constructed by the counties are usually for one of two purposes: Drainage of agricultural land may be the objective; or, sewage disposal in an urban area in the vicinity of a city is occasionally provided for by a county.

Highways and bridges, taking about one-third of all funds in 1931 represent the most costly county function. Approximately 30,000 miles of highways are in the county road system in Ohio.

Charities and correction required about 14 per cent of the county money in 1931 and the cost in 1932 or 1933 is somewhat higher due to the necessity of more institutional and temporary relief. Whereas some work relief is afforded through use of road funds, the total expenditures for charitable purpose are not encompassed by the items listed under charity.

Expenditures listed under education are closely associated with agriculture, although not wholly in the interest of farmers alone. Some extension work promotes community development and home life, both for the farm and non-farm population in rural communities. Agricultural fairs are likewise industrial and commercial, promoting both rural and urban interests. Farmers' institutes are often community affairs although primarily agricultural. The aid given to all institutes held in any county does not exceed \$300 per year. As compared with fairs the cost of farmers' institutes is insignificant. Other educational expenditures as listed in Table 13 include county experiment farms for which nine counties appropriated approximately \$2,000 each in 1931.

Debt payments and interest required about 22 per cent of all county funds spent in 1931. These may be considered in the main as deferred payments for road construction.

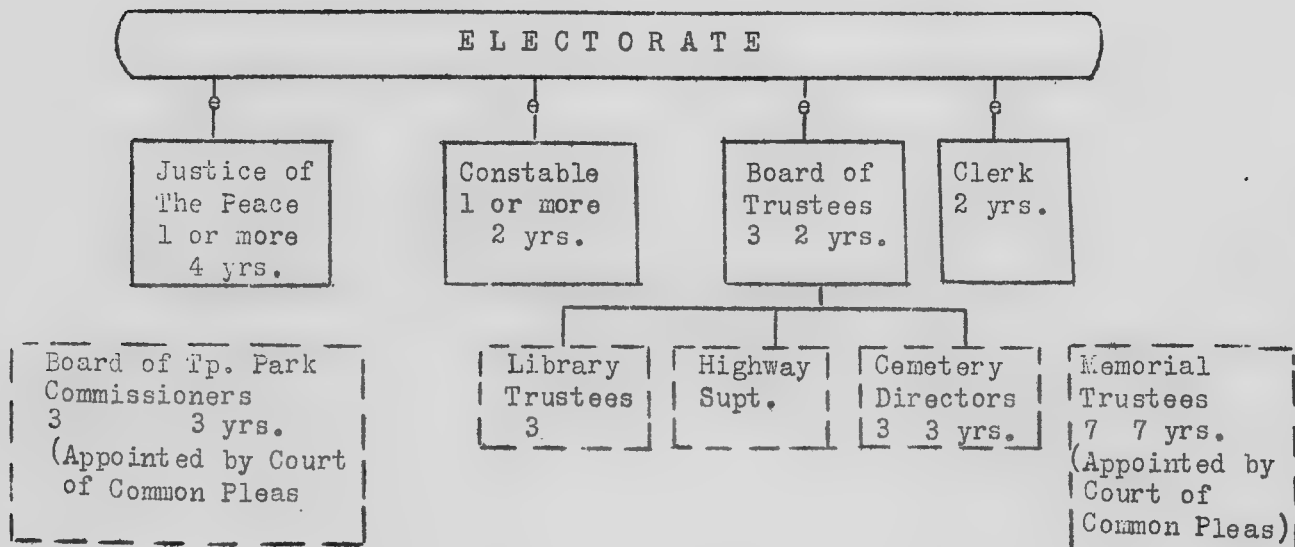
Table 12.- Ohio: County Receipts, 1931

Item	State Total	Average per County	Per cent
Population, 1930	6,646,697	75,531	
General property tax	56,533,587	642,427	62.71
Township road taxes withheld	3,707,676	42,133	4.11
Total property tax	60,241,263	684,560	66.82
Special Assessments:			
Road	6,212,116	70,592	6.89
Ditches and other	4,117,984	46,795	4.57
Total property assessments	10,330,100	117,387	11.46
Other taxes:			
Motor vehicle tax	1,503,467	17,085	1.67
Gasoline tax	5,995,429	68,130	6.65
Cigarette dealers tax	131,798	1,489	.14
Total other taxes	7,631,381	86,704	8.46
Licenses and permits:			
Dog and kennel	606,364	6,891	.67
Other	17,955	204	.02
Fines, costs and forfeitures	415,289	4,719	.46
Fee charges for service:			
Auditor	1,341,939	15,249	1.49
Treasurer	1,170,264	13,299	1.30
Recorder	660,851	7,510	.73
Surveyor	165,529	1,881	.18
Probate judge	802,812	9,123	.89
Clerk of courts	1,154,470	13,119	1.28
Sheriff	535,159	6,081	.60
Election, candidates fees	16,966	193	.02
Election expense withheld	498,440	5,664	.55
Total fees	6,346,430	72,119	7.04
Commercial receipts:			
Ditches	7,953	90	.01
Road materials sold	440,516	5,006	.48
Road funds, townships & municipalities	394,129	4,479	.44
Infirmary and children's home	342,623	3,894	.38
Jail receipts, board	96,685	1,099	.11
Interest	2,117,784	24,066	2.35
Rents	82,312	935	.09
Other	217,135	2,467	.24
Total commercial receipts	3,399,137	42,036	4.10
Miscellaneous receipts	864,359	9,822	.97
Total revenue receipts	90,151,591	1,024,450	100.00

Table 13.- Ohio: County Expenditures, 1931

Item	State Total	Average per County	Per cent
Population, 1930	6,646,697	75,531	
General Government:-			
Auditor's Office	2,006,523	22,801	2.00
Appraising Property	1,738,727	19,758	1.73
Treasurer's Office	1,443,519	16,404	1.44
Recorder's Office	843,535	9,586	.84
Prosecuting Attorney	852,496	9,687	.85
Commissioners	728,436	8,278	.72
Courts	5,843,699	66,406	5.81
Elections	2,058,992	23,398	2.05
General Expense	2,479,097	28,171	2.47
Outlay, C. H. & Jail	428,724	4,872	.42
Total General Government	18,423,748	209,361	18.33
Protection:			
Sheriff & Jail Supplies	2,390,419	27,164	2.38
Dog Warden & Damages	520,476	5,914	.52
Miscellaneous	104,500	1,188	.10
Total Protection	3,015,395	34,266	3.00
Health & Hospitals	3,926,722	44,622	3.91
Bovine T. B. Eradication	99,440	1,130	.10
Ditches & Sewers	2,164,965	24,602	2.15
Highways & Bridges	33,373,269	379,242	33.20
Charities & Correction:			
County Home	3,114,187	35,388	3.10
Children's Home	1,924,298	21,867	1.91
Blind Relief	756,601	8,598	.75
Mothers' Pension	2,017,419	22,925	2.01
Soldiers' Relief	1,137,098	12,922	1.13
Inmates State Institutions	1,516,142	17,229	1.51
Other Charities	1,904,010	21,636	1.90
Correction	1,648,873	18,737	1.64
Total Charities & Correction	14,018,628	159,302	13.95
Education:			
Agricultural Extension	227,221	2,582	.23
Fairs & Institutes	455,487	5,176	.45
Other (includes experiment farms)	711,257	8,082	.71
Total Education	1,393,965	15,840	1.39
Miscellaneous	1,660,044	18,864	1.65
Interest	7,720,527	87,733	7.68
Total Operation & Outlay	85,796,703	974,962	
Net Reduction in Debt	14,720,320	167,276	14.64
Total Expenditures	100,517,023	1,142,238	100.00
Debt as of Dec. 31, 1930	170,320,651	1,935,462	
Debt as of Dec. 31, 1931	155,600,331	1,768,186	

Organization of Township Government



Legend

- Required by law
- Optional with township
- Elected
- Appointed

Township Government.

Ohio contains 1337 townships that functioned as local units of government in 1931. The number within each county ranges from eight in Lake County to twenty-eight in Ashtabula County, the usual number being twelve to fifteen. Township areas average about thirty square miles, five or six miles square being the usual dimensions; but nearly every county contains one or more townships of smaller size either on account of fractional areas created by the original surveys or by later partitioning of larger townships. The usual township in Ohio has a population of approximately one thousand but the range in population in which township government is functioning to the extent of levying taxes, is from 100,158 Canton Township Stark County, to 45 in River Edge Township Cuyahoga County, as reported in the 1930 Federal Census.

The range of corporate powers and functions of an Ohio township are more restricted than in county government, consequently township organization is of relatively simple plan.

Each civil township is a corporate body for the purposes designated in the laws enacted by the general assembly, capable of suing and being sued, and of receiving and owning real estate or personal property for the benefit of the township.

Township Trustees.— The legislative and the general administrative body of the township is a board of three trustees elected biennially. Within the limits specified by law the board of trustees can levy taxes, issue bonds, expend the

funds, and perform the duties generally associated with a corporate body.

The trustees are responsible for (1) the township system of highways, (2) township drainage ditches whenever the township has taken on this activity, (3) outdoor poor relief, and (4) township cemeteries except when cemetery trustees have been appointed by the township trustees.

The trustees of any township in addition to other powers can purchase, appropriate, construct, enlarge, improve, repair, furnish and equip a township hall, a township park, bridges and viaducts over streets, streams or other places where an overhead roadway or footway is necessary, and provide sites for any of the same.

Other occasional powers and duties of the trustees in any township include settlement of line fence disputes, drainage disputes, the cutting of roadside weeds, and the ordering of land owners on complaint to cut noxious weeds. Trustees are empowered to appropriate funds to pay bounties on sparrows and hawks. The chief activities of the trustees are associated with roads, poor relief, and cemeteries, and will be discussed later.

Trustees are paid for the actual number of days work performed or the number of meetings attended. But compensation cannot exceed \$250 per year paid out of township funds. The same rule holds for the compensation of the township clerk. In other words, salaries for township administration cannot exceed a total of \$1000 annually.

The Township Clerk.- This officer, elected biennially, keeps the records of the proceedings of the trustees' meetings, and of all accounts and transactions. He also keeps a book for the record of township roads, a book for the record of marks and brands of livestock, and a book for the record of official oaths and bonds of township officers. He has power to administer oaths and certify affidavits connected with the official business of the township or school district, and to administer oaths required in the execution, verification and renewal of chattel mortgages.

The clerk performs the duties of township treasurer. Whereas a bank is designated as a depository of the actual funds, the duties of treasurer are confined to keeping a record of all financial transactions. Money belonging to the township can be paid out only upon an order signed by two trustees and countersigned by the township clerk. Remuneration of the clerk cannot exceed \$250 per annum paid from the township treasury. He is entitled to certain fees charged individuals when performing special services for them.

Justices of the Peace.- Each township is authorized to elect one or more justices of the peace vested with judicial powers for the purpose of preventing breaches of the peace, and bringing to punishment those who have violated the laws. Unless otherwise directed by law, the jurisdiction of justices of the peace in civil cases is limited to the township where elected. Justices have authority to administer oaths; to take acknowledgements of deeds, mortgages, and other written instruments; to solemnize marriages; to issue subpoenas for witnesses; to try trespass cases, and other minor civil or criminal cases. The original jurisdiction of justices in civil cases is limited to action for recovery of \$100. Justices have concurrent jurisdiction with the court of common pleas on civil cases involving sums not exceeding \$300. Justices of the peace are paid by the fee system for the various duties actually performed.

Township Constables.- Such number of constables as directed by the trustees is elected biennially to keep the peace in the township. Also a justice of the peace may appoint constables for special purposes when regularly elected constables are not available. Constables are ministerial officers in justices' courts in their respective townships in civil cases, and in their respective counties in criminal cases. Civil processes with some restrictions may be executed by them throughout the county. Unless designated as a "police constable" a township constable is paid by fees designated by law for certain services when actually rendered.

Highways.- The township trustees may appoint a highway superintendent for the entire township, may divide the township into three sections each trustee supervising the roads in his section, or may supervise the roads jointly as a board. The county surveyor is the advisor of the trustees in matters of road maintenance, repair, and construction. All bills for maintenance and repair in excess of fifty dollars and all payments out of the gasoline tax fund of the township must be C. K.'d by the county surveyor.

The board of trustees have authority to erect a separate road district comprising the township area outside the limits of a municipal corporation. Such districts are often established.

A township may purchase real estate containing stone or gravel and suitable machinery for operating the deposit. A favorable vote of the people is necessary if a bond issue or tax levy is made to finance the purchase. In addition to obtaining road material or other material for township use the product can be sold at not less than cost to other units of government or to residents of the same county.

Cemeteries.- Ohio townships often maintain from one to five cemeteries. These are either under the direct supervision of the township trustees or of cemetery trustees appointed by the township trustees. A cemetery may be maintained jointly with a municipal corporation or with another township. Cemetery lots may be sold at prices determined by the township trustees, usually five to fifty dollars, or may be given away. The trustees can levy a tax to buy land for cemetery purposes or to improve and maintain an existing cemetery. Maintenance may be limited to fencing and mowing once a year in the case of abandoned cemeteries or it may mean the permanent employment of a caretaker and other labor. Occasionally the trustees are the custodians of trust funds to be used for the maintenance of a cemetery or of certain cemetery lots. In typically rural townships expenses connected with cemeteries usually represent the second largest expenditure, being exceeded by road expenses, and exceeding the cost of poor relief. In years of depression poor relief may take second place.

Poor Relief.- Temporary relief - or "outdoor relief" so called - of the poor is a township function in all localities excepting cities. The intent of the law is to leave to township administration the necessary relief of indigent persons in their own homes. This may mean the furnishing of food, clothing, fuel, medical care in the home or hospital, and burial. When a person becomes a permanent object of relief, recommendation is made by the township trustees for assignment to the county infirmary. A physician may be employed through contract, to furnish medical care to the indigent poor of the township. All cases where relief is requested are to be visited, either by one or more of the trustees or by some person authorized by them, to ascertain the facts and needs. The law provides that any male person able to do manual labor, when he has been supplied relief shall be required by the trustees to labor to the value of the relief afforded, on the highways or other public property of the township. Refusal to

so labor relieves the trustees of responsibility to furnish relief. The full significance of the relief administered by the townships is not revealed by the actual expenditures designated as "relief funds", for work relief may be financed by expenditures from road-funds or other funds.

Township Hall.- It is a duty of the trustees to provide voting places for the citizens of the township. This minimum requirement is provided in some townships by the rental of such quarters as will serve the purpose. In many townships, however, a hall has been erected to serve as a place to vote and to hold trustees' meetings. In some instances particularly in northeastern Ohio an auditorium and other facilities are provided in the township hall making it a practical community center. When an incorporated village is located in a township, a hall or other public building is often jointly owned.

Hospital.- The township trustees may cooperate with a hospital association by levying a tax, not to exceed one mill on each dollar of valuation, for hospital purposes provided the hospital is maintained for the benefit of all the inhabitants of the township, or at least is free to those unable to pay. Or, the township trustees may arrange with a corporation organized for charitable purposes, for the erection of a hospital partially or wholly for the benefit of the residents of the township. The electors of a township must ratify such an arrangement and authorize any bond issue or tax levy for the purpose.

Township Library.- The electors of a township can vote to establish a public library for the use of the residents. An annual tax not to exceed one mill on each dollar of valuation may be levied by the township trustees to establish and maintain a library. Property for library purposes may be conveyed by the township trustees to three library trustees appointed by the township trustees. Provision is made in the law for cooperation between a township and either a school district or county library district, to facilitate the library service.

Township Memorial Building.- A township or group of townships may erect a building, monument, or other suitable memorial to commemorate the services of the soldiers, sailors and marines of the township. Authorization of the expenditure must be given by the electors who may vote to issue not to exceed \$100,000 in bonds for the purpose. A memorial building may be used for any purpose approved by the memorial trustees; however, the building shall be free to veterans' organizations. Seven memorial trustees are appointed by the court of common pleas to administer the maintenance and use of the property. A township tax shall be levied by the township trustees to cover the memorial building expense as determined by the memorial trustees.

Parks.- A township may establish a free public park through a favorable vote of the electors. The management of such park is vested in a board of park commissioners consisting of three citizens of the township appointed by the court of common pleas. The expenses of purchasing and improving lands for park purposes, and maintaining them as a free public park are defrayed by a tax levy not to exceed one mill on each dollar of valuation of property within a township, unless a higher levy is authorized by the electors.

The board of township park commissioners constitutes a corporate body separate from the official organization of the township, and with a taxing and bond issuing power separate from that of the township trustees.

Lighting.- When the owners of more than one-half of the foot-frontage along public ways in an unincorporated territory desire street or highway lighting, the service may be maintained by the township, the cost being met by special

assessments levied by the township trustees against the lots and lands in the district which are benefited by the lighting.

Fire Regulations.- Township trustees are authorized to establish fire regulations. When a volunteer fire company has been organized in a township the trustees may purchase fire fighting equipment for the use of the company. If a bond issue is necessary to purchase such equipment the people must vote their approval.

A township may contract with a village, city, or other township for fire protection.

The list of township functions as already discussed represents all the important powers given the townships by the legislature. Some of these indicate a tendency to broaden the powers of township government to include some municipal functions previously performed only by incorporated villages and cities. Since 1920 particularly, legal provisions have been broadened in respect to parks, road lighting, fire protection, hospitals, memorial buildings, and libraries, giving townships a greater latitude of power in matters of special local interest. In the same period there has been some tendency to centralize in some county authority duties previously performed by townships. This is notably the case in tax assessment and in the construction and maintenance of roads - matters in which policy and administration are of general public interest.

Township Finance.

Income (See Table 14).- Townships receive most of their income from property taxes although the gasoline tax has become important. Some rural townships no longer need to levy property taxes for road purposes unless the people desire to expand their road building program, for the gasoline tax supplies more money than was formerly collected for road purposes from property taxation. Special assessments, principally for road construction, are no longer used by the majority of townships. The cigarette license tax is of minor importance; so is the inheritance tax except in isolated cases. Cemetery lots are sold at prices ranging from \$5.00 to \$75.00 depending on the location of the township and on local custom in such matters. Some townships sell gravel, stone, or other road material although the average importance of such sales is small.

Expenditures.- General government representing the overhead expense of the township takes about one-tenth of the funds. Fire protection is a service usually confined to the more populous townships. Hawk bounties and occasionally sparrow bounties are paid by townships although this seems to be largely a matter of local custom. In normal times the amount of charity needed in a rural township is small. Even in 1931 the expenditures for charity averaged less than the costs included under "general government." Highways take about two-thirds of all township funds. Most debt and interest payments are on highway bonds. However, in 1932 and 1933 some expenditures for highways also represented work relief and the funds were largely distributed with that function in mind.

Libraries and parks are exceptional - few townships having any such expenditures for such services.

Township debt is relatively unimportant except in isolated cases. In 1930 a sufficient surplus existed in the township treasuries to offset all township debt in Ohio.

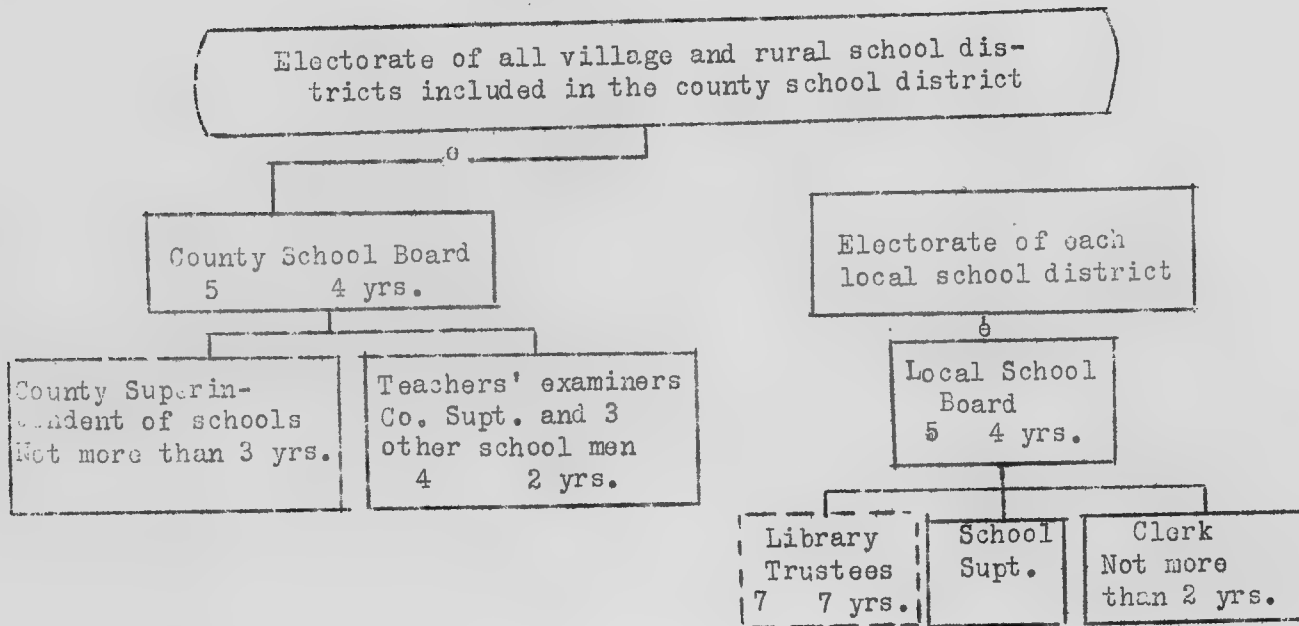
Table 14.- Ohio: Township Income and Expenditures, 1931

Item	Total	Average per Township	Per cent
Population Under Township Government	3,613,947	2,703	--
Number of townships	1,337	--	
<u>Revenue Receipts</u>			
General Property Tax	8,248,300	6,169	70.4
Special assessments	352,031	263	3.0
Gasoline tax	2,250,271	1,683	19.2
Cigarette tax	14,603	11	.1
Inheritance tax	265,021	198	2.2
Cemetery Lots, etc.	137,244	103	1.2
Road Receipts & Refunds	126,234	94	1.1
Interest	187,806	141	1.6
Miscellaneous	137,655	103	1.2
Total Revenue Receipts	11,719,165	8,765	100.0
<u>Expenditures</u>			
General Government:			
Trustees and Clerk	993,923	744	8.2
Township Hall	135,346	101	1.1
General Supplies	118,172	88	1.0
Other Expenses	40,374	30	.3
Total	1,287,815	963	10.6
Protection:-			
Fire	165,325	124	1.4
Hawk Bounties	35,439	26	.3
Total	200,764	150	1.7
Charities & Hospitals:			
Poor Relief	998,342	747	8.2
Memorial Day Exp.	8,850	6	.1
Hospitals	21,439	16	.2
Total	1,028,631	769	8.5
Cemeteries	484,182	362	3.9
Highways	8,058,652	6,028	66.0
Libraries & Parks	58,613	44	.5
Interest	163,904	123	1.3
Total Operation & Outlay	11,282,561	8,439	92.5
Net reduction in debt	912,690	682	7.5
Total Expenditures	12,195,251	9,121	100.0
Debt as of Dec. 31, 1930	5,355,076	4,005	
Debt as of Dec. 31, 1931	4,442,386	3,323	

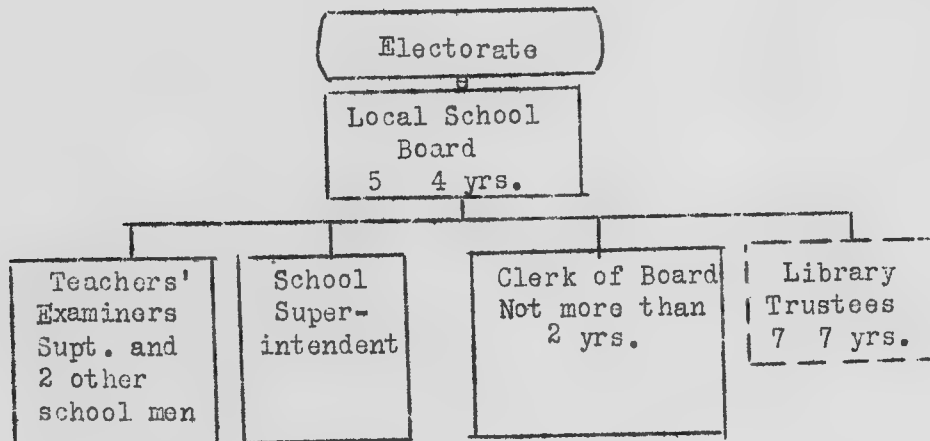
VI

Organization of School District Government

County School District



City and Exempted Village School Districts



Legend

- Required by law
- Optional
- Elected
- Appointed

Public School Districts.

In order to maintain its public schools the State is organized into school districts which act as agencies of the State for administering the function of education.

School districts are styled, respectively, city school districts, exempted village school districts, village school districts, rural school districts, and county school districts. County school districts are composed of all rural and village school districts in each county and do not include city or exempted village districts.

Each incorporated village together with the territory attached to it for school purposes, and having in the district thus formed a total tax valuation of not less than \$500,000 shall constitute a village school district. A village with a smaller total tax valuation is classified as a rural school district, the same as open country. However, a village may, by a favorable vote of the people, be organized as a village school district although its tax valuation is less than \$500,000. Also a village school district of less than 1500 population may vote to dissolve and become a part of the contiguous rural school district.

A village school district containing a village of 3000 or more population at the last census may, by a majority vote of the school board members, decide to become an exempted school district no longer under the supervision of the county school board.

Local boards of education are legal corporate bodies capable of levying taxes and borrowing money, of suing and being sued, of entering into contracts, of acquiring, possessing, and disposing of real estate and personal property, and of holding and administering trust funds for the benefit of the school district.

In general the same rules apply to the organization and duties of school boards in rural and village districts. In both, the board consists of five members elected for four years. However only board members of rural school districts receive compensation. In rural districts containing sixteen square miles or more, board members receive two dollars and in smaller districts one dollar for each regular meeting actually attended.

A board of education shall make such rules and regulations as it deems necessary for the government of its employees and the pupils of the schools.

Boards of education are empowered to cooperate with other public officials having custody and management of public parks, libraries, museums and other public buildings and grounds, to provide social, civic, and recreational activities. A fund can be provided by the board of education through a tax levy not exceeding two-tenths of a mill to support a social and recreational center.

A free public library for the use of the inhabitants can be supported by a school district under practically the same provisions as apply to township libraries. The custody and control of a library is vested in a board of seven trustees appointed by the school board. A tax not exceeding one and one-half mills can be levied by the school board for library purposes.

Clerk.- A person who may or may not be a member of the school board is appointed by the board to be clerk. The clerk also acts as the financial officer of the school district provided a bank has been authorized to be the depository for the school district's funds. If no such depository is authorized, the treas-

urer of the city shall be treasurer of a city school district, and the treasurer of the county shall be treasurer of a rural or village school district. Compensation of the clerk is fixed by the school board.

Each county school district is supervised by a board of five members elected by the vote of the people. County board members may or may not be members of local school boards. Regular meetings are held at least once every two months. Remuneration of members is three dollars per day when attending meetings and ten cents per mile of travel one way to attend meetings.

The County Board of Education has power to borrow money and levy taxes under the following circumstances: If a board of education in a school district under the supervision of the county board of education fails to provide for the education of the youth in the district, as directed by law, the county board shall perform the required duties and acts; in order to maintain in operation the schools of any such district, the county board on the advice and consent of the State director of education can borrow money and levy taxes on the property of the school district; or, if the voters of a district fail to approve an extra levy outside of the existing rate limitations where such is necessary to the qualification of the district for state aid, the county board can make the levy when so advised by the director of education.

The powers and duties of the county school board include the creation or reorganization of local school districts; but such action may be disqualified within thirty days by a remonstrance signed by more than one-half the qualified voters residing in the territory so affected.

A county superintendent is appointed by the county school board to act as the executive officer of the board. The superintendent's salary cannot legally be less than \$1200 per annum. The state pays one-half his salary up to \$2000, the remaining expense of the office is prorated to the local school districts after the exhaustion of any surplus in the dog and kennel fund of the county or any other available fund. A county superintendent cannot be appointed for longer than three years. One or more assistant county superintendents may be elected by the county board for a term not to exceed three years and at a salary of not less than \$1000. Half of the salary, but not exceeding \$750 a year, is paid by the state.

On the advice of the county superintendent the county school board shall publish a minimum course of study as a guide for local school boards.

The county commissioners must provide and furnish an office in the county seat for the use of the county school superintendent and for use of the county board of education. Therefore, the county government has a certain amount of responsibility in connection with the county board of education although, strictly speaking, this board is a part of the school organization and is not a part of the county government.

County board of school examiners.- In each county a board consisting of the county superintendent, one school superintendent, one high school principal or assistant county superintendent, and one other competent teacher shall examine applicants for teachers' certificates. The work of this board is administered under the relevant statutory provisions and subject to the approval of the state superintendent of public instruction. Compensation of each examiner is \$10.00 for each examination of fifty applicants or less; the pay is then graduated according to the number of applicants up to \$22.00 for between 150 and 200 applicants and \$4.00 extra for each fifty applicants or fraction thereof, in excess of 200. The county superintendent acts as clerk of the examining board and receives pay in addition to his regular salary.

Applicants for teachers' certificates are charged a fee which is paid into the county treasury to the credit of the county board of education fund.

School Finance.

Some differences exist between the distribution of funds used for school purposes in rural and urban territory. These are partially disclosed in Table 15 wherein figures for schools in county school districts are separated from the figures for all school districts in the State. The following explanation is primarily related to schools in county districts.

Receipts.- Income of schools in county districts is approximately 85 per cent revenue and 15 per cent non-revenue, the latter being almost entirely borrowed funds that eventually must be paid out of revenue. Approximately 75 per cent of all income is from property taxes. School districts received interest from the State from funds deposited in the state treasury from the sale of "school lands" granted by the federal government for support of the common schools in the Northwest Territory. These obligations designated as the "irreducible debt" are in reality a trust fund held by the State. Some school lands remain unsold. These yield a small sum in annual rentals. Other relatively small sums are received from school funds deposited in banks, from tuition and miscellaneous sources such as school lunches and from gifts and bequests to individual schools. State and federal funds represent 7.6 per cent of the income of all schools included in the county school districts. However, much variation exists in the importance of State "aid" to the various districts, for such "aid" ranges from nothing in some districts to as much as two-thirds of all income in others.

Expenditures.- Current operation uses up approximately two-thirds of all funds. Interest and payments on the principal of debt are fixed obligations that require one-fifth of all school funds as an average. In some school districts these fixed charges are so high as to leave very little money for any other purpose. This condition has arisen with the shrinkage of tax receipts since 1930. Capital outlay for land, buildings and other permanent equipment has been an important item of expenditure in the decade of 1920 to 1930. Relatively little building has gone on in the first few years following 1930.

It may be observed that expenditures for school purposes in the year 1930-31 exceeded receipts by approximately \$11,000,000. This unbalanced situation suggests the unsatisfactory condition of school finance and the necessity for adjustments. The efforts for reorganization carried on in 1932 and 1933 represent the attempt to place Ohio's school system on a sound financial basis.

Table 15.- Income and Expenditures of School Districts, July 1, 1930-June 30, 1931

	County Districts		State Total	
Enrollment	470,402		1,278,073	
<u>Receipts</u>	(Dollars)	(Per cent)	(Dollars)	(Per cent)
Taxes - local	20,220,995	40.1	68,315,883	42.6
Taxes - for Bonds	7,336,970	14.6	25,769,478	16.0
Taxes - distribution of 2.65 mill levy	10,033,974	19.9	34,042,685	21.2
Interest - from State	180,666	0.4	234,798	.2
Interest - Depository	410,644	0.8	1,732,731	1.1
Rent - Land and Property	48,317	0.1	190,703	.1
Tuition	85,144	0.2	301,717	.2
Miscellaneous *	440,332	0.9	2,039,114	1.2
State and Federal Aid:				
Equalization	3,530,373	7.0	4,009,902	2.5
Smith-Hughes	277,134	0.5	654,372	.4
Physically handicapped children	29,046	0.1	562,989	.4
Total Revenue	42,599,599	84.6	137,998,974	86.0
Non Revenue	7,772,487	15.4	22,506,728	14.0
Total Revenue and non-revenue	50,372,086	100.0	160,505,702	100.0
From other districts **	1,118,448		2,356,642	
<u>Expenditures</u>				
Administration	1,961,097	3.6	5,410,238	3.1
Instruction	20,904,285	38.9	78,217,929	45.6
Tuition	1,965,748	3.7	2,022,139	1.2
Operation	3,680,979	6.9	11,817,189	6.9
Maintenance	1,277,415	2.4	4,220,489	2.5
Transportation	4,861,840	9.1	5,385,956	3.1
Auxiliary agencies †	197,690	.4	2,409,710	1.4
Fixed charges ‡	427,879	.8	1,228,074	.7
Teachers Retirement	675,466	1.2	2,258,132	1.3
Total	35,952,402	67.1	112,969,861	65.8
Interest	3,284,044	6.1	12,271,710	7.2
Capital outlay	6,844,621	12.7	23,397,622	13.6
	46,081,068	85.9	148,639,193	86.6
Debt Retirement	7,585,695	14.1	22,924,760	13.4
Total Revenue and non-revenue	53,666,763	100.0	171,563,953	100.0
Payment because of change of boundaries **	97,538		118,954	

*Miscellaneous Receipts - public lunches, gifts, bequests, etc. - not separated.

**From other districts - tuition, and funds because of change of boundary, and transportation; not included in total, to prevent counting same funds twice.

†Auxiliary agencies - Health, lunches, playgrounds, etc.

‡Fixed charges - Rent, insurance, taxes, assessments and other.

The Civil Service

Throughout our early history federal, state, and local employees were subjected to the "spoils system." Even yet the argument is sometimes used that "to the victor belongs the spoils," meaning that a victorious political party can rightfully claim all public employments for its followers. Such a policy might not be so damaging under conditions where government performed few services and had few employees. But when one-tenth of our gainfully employed population is in the public service it would indeed be disastrous to give political organizations a free hand to hire and fire all public servants with every change of political power. Admittedly a merit system cannot be insulated entirely against political machinations; nevertheless, it is so far in advance of the spoils system in terms of efficiency of service that no one with the public welfare at heart would advocate leaving all civil positions at the mercy of national, state and local political bossism.

The federal government adopted a civil service law in 1883 and since then more and more federal employees have been placed under the merit system.

Among the states, New York led the way with a civil service reform law, also in 1883. The movement has slowly gained headway. In 1924 only ten states had civil service commissions. These were: California, Colorado, Illinois, Kansas, Maryland, Massachusetts, New Jersey, New York, Ohio and Wisconsin.

The Ohio civil service code, adopted in 1913, governs the selection of certain employees of the State, counties, cities and city school districts. Townships, villages, village school districts and rural school districts do not come under the law.

All public employees are divided into the classified and unclassified civil service; the former class generally speaking, includes all persons in unofficial positions who do the routine work in the various departments of government and who customarily are hired and discharged by departmental heads; in the latter class, on the other hand, are persons who hold positions wherein policies are formed or administered and a responsibility exists either to the electorate or to the administration. In other words, they are the departmental heads or persons closely associated with them. These generalizations need to be qualified by a further description of how the civil service in Ohio is organized and administered.

The unclassified civil service includes: (1) officers elected by popular vote; (2) all election officers and the employees and clerks of boards of deputy supervisors and inspectors of elections; (3) members of boards, commissions, and heads of departments both state and local; (4) officers and employees elected or appointed by the general assembly and employees of city councils when such are engaged in legislative duties; (5) persons engaged in educational, research work, and library work; (6) the personal secretaries and deputies of elective and appointive officials when the law so designates; (7) court employees in most instances; (8) assistants to the attorney-general and prosecuting attorneys; (9) teachers and employees of the experiment station, teachers in benevolent and correctional institutions, and such unskilled labor as the state and local governments may find impracticable to select by competitive examination provided, however, that the civil service commission gives permission for such exemptions of laborers.

The classified civil service includes all persons in the employ of the state, the several counties, and city school districts, when not specifically included in the unclassified service. Two groups of employees are designated: (1) the competitive class and (2) the unskilled labor class.

The competitive class includes positions for which it is practicable to determine the merit and fitness of applicants by competitive examination. Appointments to positions are made from the list of persons certified to be eligible by the civil service commission.

The unskilled labor class is subjected to such tests as the commission deems sufficient to disclose the physical conditions, ability to labor, honesty, sobriety, industry, and fitness for the type of employment for which application is made in each case. When an employing officer states to the commission the kind of labor needed, the pay, the probable length of employment, and the number of men needed, the commission certifies from the highest in the eligible list twice the number to be employed. From these the employing officer picks his men.

Civil service in the counties is under the direct administration of the State Civil Service Commission whereas each city has its own civil service commission appointed by the mayor or other chief appointing authority. Few of the clerks and stenographers in the county offices are under the classified civil service. The elective officials at the head of these offices prefer to class their employes as deputies thereby keeping the appointive power fully under their personal control. Some county positions, however, have been ruled to be under the classified civil service, as for example the superintendent of the county home and the dog warden.

Selection of civil employees on the basis of merit is not entirely limited to the classified civil service. For instance most school teachers are selected on the basis of fitness and all school teachers must meet certain minimum requirements before they are eligible for employment. It is apparent that our school governments have been able as a rule to escape from the spoils system and machine politics in greater degree than have the other units of local government. Of course, instances are all too common in which the business of a school district is tinged with politics. The same situation prevails in the state departments, some of which are kept free from political influences, whereas, other departments are notably subjected to political influences.

As a generalization, the standards of public service in a democratic government gravitate to the level of the political ideals of the electorate. Obviously, raising the standards of public service is finally dependent upon the demands of an enlightened electorate conscious of the public needs.

Elections

The official organization.- The secretary of state is the chief election officer responsible for the conduct of all elections. To provide for the local supervision of elections the secretary of state appoints four qualified electors in each county to constitute a county board of elections, the members of which serve for four years. Two members of this county board are appointed on the first day of May in even numbered years, one member from the party which cast the highest number of votes in the State for governor at the last election, the other member from the party casting the second highest number of votes. All vacancies on the board shall be filled from the political party to which the vacating member belonged unless a third party cast in the state a greater number of votes for governor at the last election. Appointments to the county board of elections are made on the recommendation of the county executive committee of the political party entitled to representation on the board.

The county board of elections supervises all the election machinery within the county under a grant of powers that include the following:

- (a) To establish, rearrange and combine election precincts.
- (b) To provide places for registration and for holding primaries and elections.
- (c) To provide the necessary equipment and supplies used in elections.
- (d) To appoint judges, clerks and other election employes.
- (e) To provide rules, regulations and instructions for election officers and voters according to law and to the rules established by the chief election officer.
- (f) To advertise and contract for all printing used in registration and elections.
- (g) To provide for all advertising, notices and publications required by the election law.
- (h) To provide for delivery of ballots and other materials to polling places.
- (i) To receive and account for the election returns to the proper authorities.
- (j) To submit a budget of the estimated cost of elections to the appropriating officer of the unit of government concerned.

The county board of election appoints a clerk, and if necessary a deputy clerk and other employes.

Compensation of board members is graduated according to the population of the county, the range in pay being from not less than \$200 or not more than \$4200 annually. The clerk of the board in a county of 450,000 or less population receives a salary of 50 per cent more than a board member. In a larger county the clerk's salary is 50 per cent more than that of the deputy clerk. The deputy clerk of a county receives from \$250 to \$400 per month depending on the size of the county. Assistant clerks receive \$250 per month, stenographers and other employes \$150 per month. The above salary scale is according to the law effective January 1, 1930.

The election officials in each precinct are appointed by the county board of elections on or before the first day of September before each November election. Four judges and two clerks constitute the precinct election officials. Not more than two judges and one clerk shall be members of the same political party. The term of service is for one year subject to removal by the county board. Compensation of election precinct judges and clerks in counties of less than 250,000 population is eight dollars for each general, primary or special election and ten dollars in larger counties.

Registration, primaries and election.- A general registration of electors was made in 1930 in all cities of 16,000 or more population. Cities of less than 16,000 population may by ordinance elect to become a registration city. A county board of elections may require registration of voters in territory contiguous to a registration city to prevent fraud. Registration is not required in other rural territory.

Obviously political party organizations have contact with the official organization of the government at innumerable points. However the law recognizes political parties as such chiefly in the process of elections and in the official group related to the administration of elections, as has been already brought out in the discussion of the county board of elections. Under the procedure now used in Ohio two elections are necessary for the selection of an elective official: first, the primary election whereby each party selects its candidate for each position; and second, the election whereby the official for each elective position is chosen.

Judicial and school board candidates are named on a non-partisan ballot both for primaries and for elections thus removing these positions, at least nominally, from the influence of factional and partisan politics.

Primary elections in presidential years are held on the second Tuesday in May to choose delegates to national conventions, to nominate party candidates and to select members of controlling committees of political parties. Primaries in other years are held on the second Tuesday in August. General elections are held on the first Tuesday after the first Monday in November. The following schedule applies to the time and purpose of various general elections according to the law becoming effective January 1, 1930:

- (a) Presidential electors to be chosen in 1932 and every four years thereafter.
- (b) United States senators - one to be elected in 1932, one in 1934 and one every six years after each of these years except to fill vacancies.
- (c) United States representatives, state and county officers are elected in even numbered years.
- (d) Municipal and township officers, members of boards of education, police and municipal courts and justices of the peace, are elected in odd numbered years.
- (e) Constitutional amendments, and initiative or referendum petitions are voted on at any general election, provided the petition has been filed at least ninety days before the election.

Legal provision is made for holding special elections when exceptional circumstances may require a decision from the electorate. But as a rule special questions are voted on at general elections; the statutory provisions relative to such matters favor the latter procedure.

VIII

Some Administrative Features of Local Finance

The administrative features of a fiscal system are supremely important in that regardless of the fundamental soundness of the taxing system, poor personnel, low ideals of official responsibility, unbusinesslike organization, and scattered responsibility may lead to embarrassment of the public's business.

The administrative features of local finance in Ohio will be discussed under five heads:

1. Property valuation.
2. Tax rate control.
3. Debt control.
4. Budget control.
5. Account control.

Property valuation.- This has already been mentioned in the discussion of the duties of the county auditor. The valuation of property for taxation in Ohio is the duty of the county auditor who is authorized to employ such assistants as he may need. This applies alike to real estate and personal property each of which is assessed separately. In case of personal property the amount is declared yearly by the property owners themselves; such declarations being subject to revision and adjustment by the county auditor and county board of revision. Effective in 1932, a change in the previous practice has been made to administer the classified property tax. The new law places the responsibility of assessment in the hands of the state tax commission when the return amounts to \$5000 or more, but the county auditor is made a deputy of the commission and will perform most of the routine work as heretofore,

Real estate under the present law is reassessed quadrennially, the intent of the law being to enforce a thoroughgoing revaluation of every plot of land on the tax list. In addition, the county auditor is charged with the duty of making such annual adjustments as are necessary to maintain equality of valuation. All these processes are subject to review by the state tax commission which is authorized to make further revisions and to approve the work of the county auditor. Finally, to give the ultimate touch of legal justice, a disgruntled tax payer, after the action of the tax commission, can appeal to the court of common pleas.

The most important link in this process of real estate valuation is the work of the local assessors appointed to assist the county auditor. Ordinarily three local men appraise the property in each township. These are subject to political pressure, personal influence of property owners, and ordinarily do not use scientific methods of appraisal. The inequalities resulting are: (1) between individual properties in the same taxing district, for there is a chronic tendency to over-assess small properties as compared with large properties; (2) between townships in the same county, for each group of assessors often consciously or unconsciously have a standard of valuation differing from that used in adjacent taxing districts; (3) between counties, for inequalities persist even after the tax commission has reviewed the work of the county auditor. The extent of these inequalities can better be conceived in the light of the following data collected by the writer after the 1925-26 appraisement.

On the basis of actual voluntary sales of farms in four counties it was computed that properties selling for less than \$1500 had been assessed at 98.5 per cent of the sale price. As the sale price rose, the relative tax valuation declined to the point where tracts of farm real estate selling for \$9000 or more were assessed at 69 per cent of the average sale price.

Turning to the inequalities existing between taxing districts in the same county we find that on the basis of actual sales of farms the highest assessed township in one county had a tax valuation of 139.6 per cent of the sale price as compared to a valuation of 79.7 per cent for the lowest assessed township, or an inequality of valuation of 59.9 per cent. In a group of eight counties the best equalized valuation between townships showed a variation of 15 per cent.

Variation in valuations of the rural real estate in all counties in Ohio after the 1925-26 reappraisement ranged from 115.04 per cent of the sale price in the highest valued county, to 61.77 per cent in the lowest valued county. The variations between counties are relatively unimportant, however, because little state revenue has been collected through property taxation in recent years. But there are enough joint-school districts and municipalities in adjacent counties to make it highly desirable for the sake of equality to appraise all property in the state by the same standards of value regardless of the existence or non-existence of state levies. Another reason for desiring uniformity is that public utilities with widely disposed properties claim discrimination in many counties with low standards of appraisal. These businesses are assessed at "full value" by the state tax commission.

One phase of the regressive quality of the property tax as applied to farmers is well illustrated by a classification of farms by the writer, in which 340 farms actually sold were the basis of study. These farms were grouped according to productivity, improvement, type of road bordering farm, and the number of miles to the nearest market town. Then, the tax valuations of the farms were calculated as a percentage of the sale price. The results definitely indicated that farms of low productivity with poor improvements on poor roads and far from market are valued higher and have a heavier tax burden relative to the sale price than farms of high productivity, with good improvements on good roads and close to market.

Tax rate control.- Another source of controversy in Ohio tax administration has been the question of tax rate control. Prior to 1910 farm tax rates ran about 22 mills on each dollar valuation; but valuations of real estate were less than 50 per cent of the full value. Naturally, intangibles sought darkness on tax-listing day. Under such conditions it was argued that Ohio tax payers would freely list their intangibles if tax rates were reduced to 10 mills on the dollar and if real property were assessed at full value. So Ohio "made a solemn covenant with her citizens," as one politician grandiosely said, to reduce the tax rate to 10 mills and hold it there by law. The citizens on their part were supposed to list fully money and intangibles. It is still the citizens' move.

Almost immediately it was found necessary to remove some of the iron bound provisions of the one per cent law, allowing levies outside that limit under certain circumstances or by popular vote. To make a long story short, rural tax rates in Ohio now average nearly 20 mills on the dollar and real estate is nominally assessed at the full market price.

The tax rate limits operating in recent years - prior to 1927 - were: county purposes, 3 mills; corporation purposes, 5 mills; township purposes, $1\frac{1}{2}$ mills; local school purposes 3 mills, in addition to the 2.65 mill school levy which is uniform throughout the state. In 1927 the general assembly removed these rate limits on the different subdivisions, leaving 15 mills as the maximum rate limit.

The apportionment of the funds to the various taxing districts was placed, in 1927, largely in the hands of the county budget commission composed of the county auditor, county treasurer and prosecuting attorney. The 15 mill limit can be exceeded by vote of the electors or by official action guarded by legal provisions intended to meet given circumstances. Still believing in the efficacy of this law, a tax rate limit of 15 mills applying to real estate and tangible personal property was written into the State constitution in connection with the tax revision program of 1930-31.

It must be conceded that tax rate limitation does serve as a temporary check on public officials who, in order to increase the levy when the rate limit has been reached, must get the consent by vote of the people for any rate increase. But public opinion is the usual criterion which regulates the amount and type of public service and the consequent financing of such service. Due to this demand for public service the tax rate in most Ohio civil units, both rural and urban, is in excess of the 15 mill limit set by law. It can be concluded, therefore, that rate limits alone are no more than a temporary cure of high property taxes, although the experience in Ohio should not be taken as final evidence that legal curbs on tax rates are useless. They will not replace intelligent administration lacked up by the active enlightened interest of the electorate in the financing of governmental services.

Debt control.- This did not come into prominence as a general public issue until some years after the adoption of the law to control tax rates. With strict tax limit laws in force, the decade from 1910 to 1920 was a time of rapidly mounting public debt in most Ohio counties. Part of this debt increase was due to the general expansion of road building and school plant construction, part to the mounting costs of government due to a rising price level, part to the increase in population; but part of the debt increase is attributable to the financing of current expenditures by bond issues encouraged by the strict tax limit laws on the one hand and the lax debt control laws on the other hand. Issues of deficiency bonds became common from 1910 to 1920. Before the adoption of the tax limitation law, public improvements were often partially or wholly financed directly by taxation. After the adoption of a low tax rate limit, public improvements were financed almost entirely by borrowing. Debt carrying charges soon mounted to an alarmingly high percentage of the total tax collections, causing financial difficulties in many taxing districts, especially in school districts and municipalities.

So far we have not mentioned the actual debt limitations imposed by law. These are specific but like tax limitations, the exigencies of certain circumstances sometimes lead to evasion of the spirit of the law and even the letter of the law. Expressed as a percentage of the assessed valuation of property listed for taxation in each subdivision in question, the following limitations on net indebtedness are in force (O. L. 112, Sec. 2293, 1927):

1. County: without consent of the electors, the net indebtedness is limited to 1 per cent on the first hundred million dollars and $\frac{1}{2}$ of 1 per cent on the excess over one hundred million dollars on the tax duplicate; and with the consent of the electors, to 3 per cent on the first hundred million and $1\frac{1}{2}$ per cent on the excess over one hundred million.

2. Township: net indebtedness is limited to 2 per cent of the tax duplicate and can be authorized only by vote of the electors.

3. School district: without a vote of the electors, net indebtedness is limited to 1/10th of 1 per cent of the tax duplicate; with a vote of the electors, to 4 per cent; and with a vote of the electors and consent of the tax commission, 6 per cent.

4. Municipality: without a vote of the electors, the net indebtedness is limited to 1 per cent, and with a vote of the electors, to 5 per cent of the tax duplicate.

There are several exceptions to these limitations, the two important ones being bonds to cover public emergencies, and bonds or notes issued in anticipation of tax collections in the near future.

The present law forbids borrowing for current expenses, - current expenses being defined as any outlay or improvement with a life of less than five years. However, the legislature has passed acts--and will probably pass others which make exceptions to the existing debt limitations. For instance, the legislature in 1931 authorized the issuance of bonds or notes by poor relief authorities to meet the emergency created by the drouth of 1930. Such bonds could not exceed 1/20th of 1 per cent of the tax valuation of the subdivision and could be authorized only prior to January 1, 1932. The same legislature provided for another issue of deficiency bonds to meet the deficiencies in current revenue when one-third of the property taxes of the subdivision are delinquent. These were authorized to be issued only before January 1, 1933, and must be considered absolutely essential by the State bureau of inspection and supervision of public offices. The same act authorized the refunding of any outstanding bonds, before June 30, 1933, by the taxing authority of a subdivision when such action is approved by the bureau of inspection and supervision of public offices. These acts are indications of the critical condition of the tax situation in Ohio. Although the accumulation of circumstances growing out of the uncertainties of an attempted revision of the taxing system and out of the existing business depression will partly explain the necessity of borrowing for current expenses, the main reason is the break-down of the general property tax system under a too heavy load..

We have now discussed three administrative features of local finance in Ohio, namely assessment, tax rate control, and debt control. Two more will be discussed and these - budget control and accounting control - are closely allied. Under budget control we will outline the general process of establishing tax levies.

Budget control.- Authority to levy taxes and spend revenue is given to the legislative body of each subdivision of government. The following is a digest of the sections of the General Code which regulate the activities of the county commissioners, township trustees, and school boards in levying taxes or spending money. Of course all laws related thereto cannot be considered here but those of greatest general importance are mentioned.

The four following sections of the General Code apply to all taxing subdivisions, i.e., county, township, school district, and municipality.

5625-1.Taxing authority or bond issuing authority shall mean in case of the county, the county commissioners; in the case of a municipal corporation, the council or other legislative authority; in the case of a school district, the board of education; and in case of a township, the township trustees.

5625-9. Each subdivision shall establish the following funds:

- a. General fund.
- b. Sinking fund whenever the subdivision has outstanding bonds other than serial bonds.
- c. Bond retirement fund, for the retirement of serial bonds, or of notes or of certificates of indebtedness.
- d. A special fund for each special levy.
- e. A special bond fund for each bond issue.
- f. A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.
- g. A special fund for each public utility operated by a subdivision.
- h. A trust fund for any amount received by a subdivision in trust for any lawful purpose.

5625-11. In addition to the regular funds the taxing authority of a subdivision may establish with the approval of the bureau of inspection and supervision of public offices, other such funds as may be necessary and desirable, and may provide by ordinance or resolution that moneys derived from specified sources other than from the general property tax shall be paid directly into such funds.

5625-20. On or before the 15th day of July in each year, the taxing authority of each subdivision or other taxing unit shall adopt a tax budget for the next succeeding fiscal year. To assist in its preparation, the head of each department or other appropriating authority shall file before the first of June an estimate of income and expenditures for the ensuing year.

The intention in the Ohio law was to place responsibility as close to the people as possible. In accordance with this idea, the taxing authority of each subdivision is required to hold the annual budget open for at least ten days previous to July 15th for public inspection and for discussion at a public meeting of the citizens. The way was prepared in the law for citizens to hold one or more public meetings to discuss, criticize, and suggest changes in the budget of each taxing subdivision. This plan has good possibilities as has been demonstrated occasionally, but for the most part the apathy of the public has so far cancelled this opportunity for control of expenditures through pressure of public opinion while the budget is being prepared.

As has been previously mentioned the budget of the various subdivisions is consolidated into one budget by the county budget commission composed of the county auditor, treasurer, and prosecuting attorney. To summarize, the process of budget formation starts with individual departments or funds; these estimates are consolidated into a budget for each taxing unit; and these in turn into a county budget where items are scrutinized and adjusted to make all accounts conform to the legal limitations and not to exceed the capacity of the tax system to meet the cost. Further control is exercised by the state tax commission and by the bureau of inspection and supervision of public offices.

Account control.- Among the functions of the tax commission comes the general supervision of the local taxing officials, to see that the terms of the law are complied with in levying taxes. Reassessment of property can be ordered, supervised and adjusted; tax rates can be ordered reduced when not legal; errors of any nature introduced into the formation of the consolidated abstract of the county tax duplicate are corrected and the work of the county auditor in this connection generally supervised. Part of this work could be considered control of accounting methods. But after the taxes are really levied the final control and supervision of accounts is the work of the bureau of inspection and supervision of public offices, a division of the State auditor's office. This bureau reviews the financial records of all local officials to enforce uniformity, efficiency and honesty in the keeping of accounts; primarily, this work is advisory being intended to help local officials, not to criticize them. It is not to be supposed that legal restraints on the work of auditing can destroy all graft but it can discourage the use of several avenues leading to graft commonly utilized by dishonest officials when unrestrained.

This concludes the discussion of some of the administrative features of local finance, namely, machinery of assessment, tax rate control, debt control, budget control, and account control. These features all have an important bearing on the general tax situation for the circumstances surrounding them contain an important portion of the conditions affecting equality in taxation as well as efficiency on the one hand or extravagance on the other, in the use of public revenue.

Centralization of control over local government.- One well defined tendency of recent years is the centralization of various phases of government. Among the causes encouraging this tendency are: the development of rapid transportation and communication, the increased specialization of functions, the attempt to increase efficiency, the necessity for a larger tax base for some functions coupled with the recognition of the fact that the state comes nearer to being an economic unit in some respects than the township, school district or county. Centralization has taken several forms: (1) Administration may be taken over completely. Township roads are made a part of the county road system, county roads are made a part of the state highway system. (2) Actual administration may be left in the hands of local officials but state supervision is established, as is illustrated by the control over accounts by the bureau of inspection and supervision of public offices, or by the control over tax administration exercised by the state tax commission. (3) In other cases centralization of control is associated with some measure of financial aid. Local administration is left intact, excepting, financial aid is predicated on compliance with certain standards established by the state. This principle has been followed in our system of state aid to school districts and in the aid to county health districts. A commonly accepted principle is that a measure of control must be associated with financial aid.

The tendency toward centralization is viewed with alarm by those who fear that the powers of local government will be lost. The situation does contain numerous elements that are unsolved problems. A point commonly not clearly recognized by those concerned with the affairs of local government is the difference between the control of policy and the routine of administration. Perhaps the former can be preserved in local government even though administration of some functions are centralized. It is a sound principle of democracy to leave control of policy in the hands of the local group when the local interest does not conflict with some broader public interest. The crux of the problem rests in a satisfactory correlation of the policy forming function, legislation, with sound administration.

We have local interest resisting any change toward centralization. On the other hand efficiency of administration usually is in the direction of centralization. A standard system of highways necessitates state roads, and the resulting rapid transportation suggests the need for state police rather than county police. We need a unified system of public health service to guard against the spread of disease. The township unit is too small, even the county health district needs to be closely associated with a larger unit. Disease and problems of sanitation cannot be confined to local areas. The growing belief that education should be a state supported function suggests to us that further changes can be expected in that quarter. Will the answer be a complete decimation of local self government? Presumably not, if we may judge by the growth of home rule charters for municipal corporations which have given a broader grant of powers for local self-determination in urban areas in matters that are distinctly local in character. This movement has not gained much headway in rural areas although chartered counties and rural municipalities are provided for in the laws of a few states. Ohio so far has not made much progress in providing for reorganization of local rural government. It is a problem that every rural community must face sooner or later in the interests of efficiency, economy and local democracy. Rural leadership has too long neglected a serious study of the possibilities of a reorganization of local government.

National, state and local tax systems need to be better correlated.- When several taxing units are superimposed on one another the tax payer is liable to be subjected to double and even multiple taxation. The resulting inequalities have become so serious that tax economists point out the need for at least partial uni-

fication of our national, state, and local taxing systems. As the matter now rests the same inheritance may be taxed in two or more states; incomes are subjected to the federal tax and again to a state income tax in about one-half of the states; sales taxes are levied on the same article both by the federal government and by some state governments. In the field of property taxation the procedure differs so much from state to state that businesses operating in several states are subjected to serious inconveniences with no compensating advantage to anyone. The above difficulties have become intensified by the growth of inter-state business and by the many relationships that make the nation one economic unit. At the present time the implications of State or even local finance cannot be divorced entirely from national finance.

National, State and local governments taken together in their present form are the outgrowth of the attempt of a sovereign people to give themselves a greater sum total of human satisfactions. Viewed thus, government is a part of the socio-economic organization in which we live. The multitude of relationships involved in government can be appreciated, even from the foregoing condensed description showing part of the official organization, of the finances, and of the services rendered.

Maladjustments and the subsequent changes occur in the field of governmental activity just as changes occur in the circumstances of private enterprise. But there is this difference: government is so circumscribed by laws fixing the type of organization, the method of finance, and the conditions of service, that there is a greater delay between the need for change and the subsequent action in the case of government than there is in private enterprise. Before a democratic form of government can be changed it is necessary to have favorable action of the people at the polls or of their duly elected representatives. A delay of months, years or even generations may result.

The above statement partially explains why parts of our governmental organization exist today in nearly the same form as when adopted a century or more ago. It also helps to explain why property taxes are high and why schools and other services occasionally break down. Expressed in a phrase, government needs to be better geared to the rest of the economic system.

If the ultimate aim of government is service, how can we do a better job of delivering this service? No short answer to such a question can be complete. The following suggestion is ventured as bearing on the subject: Constant research is needed to determine the fundamental relationships of governmental activity to our every day lives. In this connection the public is constantly bombarded by the propaganda of special interests. Such propaganda needs to be distinguished from impartial, unbiased research. Well informed public opinion may guide governmental activity into the channels of greatest usefulness. Apathy and misinformation of voters has been a potent cause of governmental waste, a poor taxing system, and all the consequent loss to society.

A brief review of some of

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Moore, H.R.

Our system of public finance...

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